# FINANCIAL TIMES

Start the week with...



Asia's economies

Strains start to show



**Lucy Kellaway** Coping with the

big let-down Management, Page 10



Sport

Send on the funny guys

**Turkey set** 

to defy US

with \$20bn

Iranian

gas deal

By John Berham in Ankara

Mr Necmettin Erbakan,

Turkey's Islamist prime min-

ister, yesterday held talks

with Iranian leaders in

Tehran and was expected to

sign an agreement to import

\$20bn-worth of natural gas

The agreement is in defiance

of US legislation passed last

week which punishes compa-

nies investing in the oil or gas industries of Libya and Iran.

Turkey said its deal would

not be affected by US sanc-

tions because it would con-

struct a gas pipeline on its

fuli honours of state when he

arrived in Tehran oo Satur-

day, further irked the US with

announcements that he would

also seek to improve relations

with Syria and Iraq. He promised after taking office in July that he would strengthen ties

with the Moslem world, as

well as preserving Turkey's

traditionally pro-western for-

eign policy.
"Turkey will not permit any

third country to interfere in

the growing trend of co-opera-

tion between Turkey and

Iran," Iranian television

quoted him saying yesterday.

He also told the Turkish

newspaper Hörriyet that "nat-

urally we should co-operate with Iraq in relation to north-ern Iraq." The UN wrested control of Iraq'a northern

Kurdish provinces after the

1991 Gulf war, hut Turkey

claims the area has become a

baveo for guerrillas of the

(PKK), which has waged a 12-

year separatist war in

Mr Erbakan said Syria, Iran,

Iraq and Turkey should work

together to settle the Kurdish

issue. All four countries have

Kurdish populations. The prime minister also said he

itive" message for President

southern Torkey.

WOLKELE

Mr Erhakan, greeted with

from Iran.

own soil.

MONDAY AUGUST 12 1996

## threatens Russia's deal with De Beers

4. \$

An increase in the value of rough diamonds leaking to the market from Russia is threatening the country's relationship with the diamond cartel it organises with De Beers of South Africa. Diamond International estimates the value of diamonds leaking out of Russia has jumped from hetween \$10m and \$15m in March and April to \$40m-\$60m in June. Page 18

British Petroleum wants to speed up the \$5bn planned merger of much of its European assets with the US's Mobil, in a move that will rekindle speculation about whether the two will merge completely. Page 19; Lex. Page 18

Britain backs Lloyd's plan: The British government backed a recovery plan hy the Lloyd's of London insurance market, hy intervening in a US court case hrought hy rebei Names - individuals whose assets have traditionally supported the market. Page 6

N ireland marches end peacefully: A weekend of parades in Northern Ireland ended peacefully, in spite of fears it would be hit by the violence that has accompanied much of the summer marches by loyalists and republicans.

Canadian interest rates lowered: The Bank of Canada showed its independence from the US Federal Reserve by lowering interest rates for the fifth time this year without waiting for a lead from Washington, Page 4

Argentina austerity warning: Argentina's President Carlos Menem warned the country to prepare for austerity measures, saying sacrifices would be demanded from all sectors of society.

Oll price firm after US move: Oil industry analysts said market fears that US approval of the United Nations' oil-for-food plan for Iraq would trigger a price collapse have proved overpessimistic - but they warned the current oil price will be tested when supplies from Iraq begin to flow. Page 5

Riots follow South African rally: South African troops and police fired rubber bullets and tear gas as violence flared in Cape Town following Moslem-led demonstrations against the country's worsening crime rate. Page 5

Tokyo appeals against WTO ruling: Tokyo appealed against a World Trade Organisation ruling that Japan's liquor tax is in breach of WTO rules. Japan imposes higher tariffs on imports than on domestically produced liquor.

Man dies in Cyprus riot: A Greek Cypriot man was killed and 50 other people, including five Turkish Cypriot policemen, were reported to have been wounded after fighting broke out between Greek Cypriot motorcycle gangs and Turkish Cypriots in a strip of no-man's land that has divided Cyprus since 1974. Page 2

China woos HK democrats: China signalled a softer line towards Hong Kong democrats in an attempt to secure co-operation over next year's transfer of sovereignty, according to members of the Beijing-appointed committee overseeing the handover. Page 3

Arafat attacks Israel decision: Palestinian President Yassir Arafat attacked the new Israeli government's decisloo to lift the four-year freeze on Jewish settlements in occupied Arah land.

Cricket: Rain forced play to be ahandoned in the second Test between England and Pakistan at Headingley, Leeds. England were all out for 501. a first innings lead of 53, with Pakistan unable to start their second innings.

Motor racing: Canadion Jacques Villeneuve won the Hungarian grand prix in Budapest ahead of his Williams Renault team-mate and championship leader Damou Hill of Britain. France's Jean Alesi, driving a Benetton, was

European Monetary System: The French franc slipped to the bottom of the EMS grid last week amid renewed speculation about whether Paris would meet the Maastricht convergence criteria. The Irish punt climbed two places. With the D-Mark strooger, the spread between strongest and weakest currencies widened slightly. Currencies, Page 25

August 9, 1996 EMS: Grid B. Franc Peseta . Escudo **İrləh Pust** D. Krope

F. Franc

MUL SUNDS

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of ogreed central rates against the other members of the mechanism. The exceptions are the D-Mork and the guilder which move in 0 2.25

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International Bonds ............ 24 FT/S&P-A Wio Indicas \_\_\_ 22 Managed Funda ....... 28-30 Currencies & Money ....... 25

Black America starts

to log on, Page 13

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

## 'Leak' of diamonds | Yeltsin orders Russian forces in the region to be strengthened Lebed seeks Chechen talks

By John Thomhill in Moscow

Mr Alexander Lebed, Russia's national security chief, last night travelled to the north Caucasus in an attempt to stem the aurge of fighting in Chechnye, which has killed hundreds of comhatants and civilians and created thousands of refugees.

Just two days after his mauguration, Mr Boris Yeltsin, the Russian president, yesterday chaired a 2½ hour emergency meeting in the Kremlin ahout the Chechnya crisis, ordering federal forces to be strengthened in the region.

He had earlier instructed Mr Lebed to take personal com-

demanded a criminal investigation into why Russian forces were caught off-guard by the separatists' assault last week on Grozny, capital of the breakaway region.

Flags flew at half-mast in Moscow over the weekend and tempers flared in parliament as Russian officials reported that as many as 200 federal troops had been killed in the latest fighting.
Unconfirmed Chechen re-

ports suggested that a further 150 Russian troops had been killed in a separate ambush, hut the Rusaian military

denied the claim.

gunfire last night as federal forces persisted in trying to oust the thousands of Chechen rehels who had infiltrated Grozny. Local Russlan commanders said they had lifted the Chechen stranglehold on the centre of the rubble-strewn capital, a claim challenged by

rebel fighters. Mr Lebed, who contested the presidential elections hefore entering the Kremlin as secretary of the security council. has fiercely criticised Russian policy towards Chechnya in the past and even backed calls

to grant it independence. His latest mission will be the higgest test to date of his polit-

mand on the ground and reported fresh exchanges of ical skills and may either destroy his reputation or holster his ambitions of succeeding Mr Yeltsin. After reaching the neigh-

houring region of Dagestan last night. Mr Lehed was reported to be seeking talks with senior Chechen representatives amid indications that rebel leaders might respond to a serious peace initiative. Mr Movladi Udugov, a Che-

chen spokesman, told Russian radio: "If General Lebed fulfils his electoral promises, then we can only welcome that. We will do all we can so Russian state interests are preserved in the Caucasus, and Chechnya and Russia get out of this war

while saving face." Mr Victor Chernomyrdin, who was confirmed as prime minister by parliament on Saturday, said the government would pursue peace talks to end the 20-month conflict once the military situation had been settled.

"Lebed is a military man, he is used to tackling these sorts of problems," Mr Chernomyrdin said. "I am sure he will cope with this task. He simply must." Mr Chernomyrdin said "radical measures" would be taken although he has previously ruled out the possibility that Russia would cede independence to Chechnya.

Battle for high ground, Page 2

## Dole applauded for selecting Kemp

By Jurek Martin in San Diego

The new Republican presidential ticket headed to San Dlego yesterday to claim the crown, with convention delegates and pundits expressing broad approval of Mr Boh Dole's bold, if risky, choice of longstanding rival Mr Jack Kemp as his running-mate.

The selection of Mr Kemp has energised the 36th Republican cominating convention and at least temporarily pushed to the sidelines some of the bitter party fights on social policy issues which have con-tributed to Mr Dole's substan-tial deficit in the polls behind President Bill Clinton. Mr Haley Barbour, the

Republican national chairman, denied that the more charismatic and eloquent Mr Kemp, a former football player, New ing secretary in the last Republican administration. would upstage the presidential nominee in the election campaign, as the Clinton White

House had suggested.

Mr Barbour said "diversity is a sign of strength". Mr Dole, in a newspaper interview, conceded that Mr Kemp was "a free spirit in some regards", and odded "we both have to stay on our message".

Mr Dole, who will give his acceptance speech on Thurs-day night, had some rare good polling news yesterday. A Washington Post survey saw Mr Clinton's lead cut to 10 points, at 50 per cent, from 15 points last month.

The survey was taken after Mr Dole unveiled his tax-cutting economic hlueprint hut hefore Mr Kemp, an ardent supply-sider, emerged as the prohable running-mate late

The market for Internet

hanking is poised to grow

sharply in the next three

years, affecting the competitive advantage enjoyed by tra-ditional banks as demand for

Internet hanking sarvices

by Booz-Allen & Hamilton, international management

consultants, has found that 154

European banks already have

sites on the World Wide Web,

with sites increasing at a rate

But use of the sites is grow-

ing faster, and almost all the

banks that have an Internet presence plan to upgrade both

the size and capacity of their

sites and the leval of services

The survey found the cost of an average payment transac-

tion on the Internet was 13

cents or less. This compares with 26 cents for a personal

of nearly 90 per cent a year.

A survey of internet banking

By George Graham in London

takes off.

thev offer.



Bob Dole (right), with presidential running-mate Jack Kemp during a rally at Dole's home town of Russell, Kansas. hopes a successful Republican convention in San Diego this week will cut President Bill Clinton's bealthy opinion poll lead

Lewis, one of Mr Clinton's

campaign officials, said some

of Mr Kemp's Ideas, including

have given Mr Clinton a lead in the 20 point-plus range, although private Republican polling puts it much lower. The Dole campaign hopes e successful convention can narrow the gap to single digits

The only Republican dissent over the ticket came from Governor Pete Wiison of California, who said Mr Kemp's views opposing further controls on immigration and in

Rise of Internet threatens

traditional banks' market

using the bank's own software,

54 cents for a telephone bank-

ing service and \$1.08 for a

That means costs for inter-

net hanking run at only 15-20

per cent of income. compared

with an sverage cost:income ratio for the banking industry

of about 60 per cent. "The cost

advantages are just so buge

that there would be no reason

not to try it out," says Mr

Michael Berger, of Booz-Allen's

set up Web services and

because it neutralises many of

"Starting an Internet bank

their competitive sdvantages.

from scratch costs about \$1m -

the shelf. But as a European dinosaur bank you have to

Integrate it with your existing

systems, and that is where it

gets expensive," says Mr Claus

CONTENTS

Booz-Allen says the Internet

because it costs them more to to run them.

financial services team.

bank branch.

computer hanking service Nehmzow, a Booz-Allen infor using the bank's own software, metion technology specialist.

traditional banks, both Weh sites and the same again

you buy all the software off More than three-quarters

three years.

minorities put him out of step with the party.

Mr Wilson, along with two other prominent Republican governors, Mr William Weld of Massachusetts and Mr George Pataki of New York, have and that it will not expand refused to accept their again after the Democratic convention in two weeks. they were told they could not register on the floor their disagreement with the party platform's demand that abortion be outlawed.

Mr Clinton, on holiday In

Moreover, it will he easler

for customers to pick and

choose, and harder for banks to differentiate their Web sites

from their competitors' -

including non-banks which

can bundle financial services

The survey found that three

quarters of European banks

Web sites are now at what li

calls "entry level": essentially

glorified brochures offering marketing information. Most

of the banks surveyed spent

less than \$25,000 to set up their

But 56 per cent of the banks surveyed by Booz-Allen planned an sdvanced Web site

within one year, offering a fully fledged banking service.

planned to do so within

together on the Internet.

last week. Most other polls favour of affirmative action for Wyoming, said he was sur- a return to the gold standard, prised by the choice of Mr were "rather extreme". Kemp but otherwise had no specific comment. Ms Ann

Kemp rescues convention. Page 4; Dateline, Page 8; Victory either way, Page 16 Editorial Comment, Page 17

was despatching hia foreign policy adviser, Mr Abdullah Gul, to Damascus with a "pos-

> Hafez Assad. Mr Gul said that Turkey's Continued on Page 18

## "I need a couple of raincoats cleaned overnight."



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Lebed: bes made it clear he

## Uncertainties grow over whether Chernomyrdin or Lebed is running the Kremlin

## Russian leaders battle for high ground

Mr Vlctor Cbernomyrdin, reconfirmed as Russian prime minister on Saturday, will this week form a new government to tackle a rapidly growing list of problems ranging from the turmoil in Chechnya to a threatened national coalminers' strike.

The solid former gas industry manager, first appointed prime minister in December 1992, will play a critical role in Russian politics over the next few months as uncertainties swirl around Moscow about who is running the Kremlin.

A fierce subterranean battle for influence appears to be raging among the political elite as the exhausted President Boris Yeltexhausted President Boris Yelt-sin has faded into the political Mr Lebed has been coming under

gave him time to recuperate.

After spending most of the past month in a suburban sanatorium. Mr Yeltsin now intends to leave Moscow for an extended holiday. Mr Chernomyrdin, 58, who has established a reputation as a moderate reformer, has been strengthening his band in the Kremlin and would temporarily assume the presidency if Mr Yelt-

sin were incapacitated. But Mr Alexander Lebed, the nakedly ambitious former general who entered the Kremlin last month amid great political fanfare, has already crossed swords with Mr Chernomyrdin and made it clear he intends to become president.

conflict in Chechnya. His protégé. Gen Igor Rodionov, the recently-appointed defence minister, has also been struggling to exert any influence over his gen-

erals on the ground in Chechnya. Mr Yeltsin yesterday despatched Mr Lebed, in his capacity as secretary of the Security Council, to the north Caucasus to take direct personal command of the situation - a responsibility which could either make or break his political ambitions.

In his speech to parliament on Saturday, Mr Chernomyrdin vowed he would press ahead with the broad thrust of aconomic reform but would pay more attention to social factors. His government would be composed of the

"It is my duty to co-operate with all those who seek to work jointly," he said after his confirmation bearing in the lower house of parliament

Russia's Communist party, which dominates the lower house of parliament, had earlier hinted it would oppose Mr Chernomyrdin's re-appointment as prime minister and provoke a confrontation with the president.

But some members voted for Mr Chernomyrdin in Saturday's vote, carried by 314 votes to 85, suggesting they may be prepared to take on ministerial portfolios in the new government.

Mr Gennady Zyuganov, the Communist party leader and

increasing fire in the media for most competent professionals defeated presidential candidate, failing to react to the escalating representing a broad range of struck a moderate note on Saturday, saying his party would give the prime minister 100 days to try to pull the economy out of its

The most critical positions in the new government will be in the economic field, where drastic action will be needed to avert a looming hudgetary crisis. Russia's newspapers have already floated a long list of possible ministerial candidates, most of them of reformist orientation.

Parliament was even abuzz with rumours at the weekend that Mr Yegor Gaidar, the former prime minister and architect of market reforms, might return to government. But the radical economist said ha had no inten-

4pm on Saturday.

INTERNATIONAL NEWS DIGEST

Austrian shop

hours extended

Austria is poised to follow Germany's lead and liberalise lts restrictive shop closing hours before the end of the

Representatives from business and the trade unions

agreed last week to ease the rules by November 1, the day when Germany extends its own shopping hours. Experts expect Austria to copy the German model, which allows

retailers to remain open until 8pm on weekdays and until

Currently, stores can stay open until 7.30pm on

weekdays, but most close at 6pm or 6.30pm. Saturday

shopping usually ends at 1 pm, as stores can stay open

business to big chains if they can stay open as long as

they want. But this system came under pressure when

take advantage of lower prices and more liberal opening

Opinion polls show that most Austrians are satisfied

liberalisation is out of the question for political reasons.

But when Germany decided to extend its bours earlier

Spanish unemployment falls

employment offices fell by almost 64,000 last month to

figures as "very positive", saying it was the first time registered unemployment had dipped below 14 per cent

In the past year, the figure has fallen by 193,500. New job placements during the month hit an all-time record at

832,500. However, the July performance was in large part

A wide discrepancy still remains between the registered

figure and the quarterly workforce survey carried out by

the national statistics institute, which showed a 22.27 per cent jobless rate for the second quarter. Although the

2.17m, or 13.67 per cent of the workforce, compared to 14.15 per cent in June. The government described the

The number of jobless Spaniards registered at

attributable to seasonal factors.

this year, Austria was forced to act to stop even more shoppers from crossing the border. Eric Frey, Vienno.

Austria joined the European Union last year, as consumers began to shop in neighbouring countries to

with the current shopping hours, and a complete

until 5 pm only once a month. Sunday shopping is strictly

Short shopping hours have long been defended by trade unions and small shopkeepers, who fear they will lose



Chernomyrdin: strengthening

## Greeks summon spirit of Apollo

By Kerin Hope in Athens

The sound of ancient music ecboed across Delphi, site of Apollo's oracle, at the weekend as Greek experts demonstrated a working model of a "bydraulis", the ancestor of the modern cathedral

Mr Panos Vlagoponlos, standing at the keyboard, extracted a plaintive but penetrating melody from a single line of metal pipes. At his side, Prof Marios Mavroidis energetically worked a steady flow of sound.

Mr Vlagopoulos, a musicologist who spent more than a year constructing the bydranlis, said: "It's an ingenious piece of ancient technology, using a metal tank of water and a pump to maintain the air pressure, rather than a pair of bellows, but It's incredibly dif-

ficult to play."

The bydraulis was probably invented in the 3rd century BC and quickly became popular because it produced lond and varied sounds, ranging from a flute to a fogborn, Prof Mavroidis

While only the wealthiest of ancient Greeks could afford a bydraulis, it is known to have been played in temples to entertain the patron deity. An inscription at Delphi, where Apollo was revered as the god of music, records that two Cretan hrothers who played the retain the telecoms group, in hydraulis received a special award.

The Greek musicologists' interest ln the hydraulis was triggered by the discovery in 1992 of the earliest known example of the instrument at Dlon in northern Greece, a wealtby ancient city in the foothills

of Mount Olympus. Archaeologists from Thessaloniki University found the upper part of a bydranlis huried in mud which covered the remains of an ancient workshop.

"It looked as though the upper section of the instrument bad been brought in for repair," said Prof Dimitris Pantermalis, the excavation director.

The only other bydraulis found in an excavation comes from Hungary and is thought to have been made in the 2nd century AD. The instrument was popular with the Romans, who used it to provide background music for banquets or circus performances. "Possibly the most famons bydranlls player of all was the Emperor Nero," Prof Panter-

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## Treasury lays down law to Iri over sale

The Italian treasury has given blunt instructions to Iri. the state holding company, to proceed with the rapid sale of Seat, the profitable yellow pages division of Stet, the Iri-controlled telecoms group.

The instructions are contained in a letter sent by Mr Carlo Azeglio Ciampi, trea-sury and budget minister, to Mr Michele Tedeschi, Iri chairman, which has been deliberately released to reassure a sceptical public and stock market of the government's ability to push through a proper privatisa-tion of Stet and its subsid-

Last week the ahares of Stet and its subsidiaries lost more than 4 per cent of their government announced in ambiguous language the Stet privatisation and the future shape of its core telephone

The Stet sell-off was fixed for between February 1 and March 31 next year. But analysts said the government appeared to be back-tracking on its pledge to strip out non-core activities which they helleve could add an extra L8,000bn (\$5hn) to Stet's current L24,000bn market capitalisation.

iri, which controls 62 per cent Stet, has fought hard to in relation to the public By Paul Taylor in London particular Seat. But the treasury letter makes clear there is no room for manoeuvre over Seat's sale, which could raise up to L3,000bn. It also puts pressure on Irl to demonstrate there is a better alternative solution to splitting off and selling separately the other non-core business - Sirti (engineering), Italtel (equipment manufacture) and Finsiel (soft-

"Iri must rapidly carry out the necessary steps to sell Seat and to check the dis-

means of disposal of Sirti and Italtel - by a public offer or private sale in agreement with existing partners. Seat is merely a division of Stet and thus easier to sell, although it will require the formation of new company first, approved by Stet share-

Sirti, with 1995 sales of L1,564bn and profits of L191bn, is quoted on the stock market and controlled 49 per cent by Stet and 2 per cent by Pirelli, the cable and

tyre group.

Pirelli has in the past shown interest in acquiring a bigger stake, Italtel is a joint venture with Siemens, the latter having raised its share, buying 40 per cent last year for

As for Finsiel, the treasury letter recognises the proce-dure for sale is more com-plex because the company bandles sensitive data for the treasury and national

accounts office. Originally Mr Ciampi planned to set up a special company to handle this aspect of Finsial's activity: But he changed his mind on Thursday and is now looking for alternative ways to cope with the problem. The trea-sury letter says: "Regarding Finsiel, further instructions will follow as soon as its role

administration is defined. Treasury officials insisted over the weekend that Mr Ciampl was determined to proceed with a sell off Finsiel. They also pointed out the treasury could scarcely ignore the advice of its external advisers on the privatisation of Stet, who said the Italian taxpayer would benefit from the sell-off of noncore telephone business.

Significantly the letter made no reference to the government's use of a golden share or the formation of a core of stable shareholders, posal of Sirti and Italtel, or domestic and foreign. This alternatively to come up suggests the government with a different arrange-meot," tha letter says. In clse form in which these two effect Iri is being asked to issues will be treated.



## **Fighting mars Cyprus protest**

A pitched battle broke out yesterday between Greek Cypriot motorcycla gangs and Turkish Cypriots in a strip of no-man's land that has divided Cyprus since 1974, write John Barham in Ankara and agencies. A Greek Cypriot man was reported to have been killed. Fifty other people, including civilians on both sides and five Turkish Cypriot policemen, were reported to have

The fighting started after a group of riders broke through the Green Line, the United Nations-patrolled demarcation zone separating the two communities.

Thousands of Greek Cypriot motorcyclists supported by several hundred European allies - aiming to focus international attention on "Turkish human rights

violations" — had planned to break through the dividing line and ride on to Kyrenia, a tourist port in the northern Turkish sector. Following overnight negotiations on

Saturday between gang leaders and Mr Glafcos Clerides, the Greek Cypriot president, organisers agreed to cancel the protest, But after the decision was announced, about 200 protesters advanced across a lightly guarded strip of land, starting brush fires and throwing stones at Turkish Cypriot forces, who shot back: Members of the Grey Wolves, an

ultra-nationalist Turkish movement, also met the protesters, and witnesses said the 24-year-old who was reported to have died had fallen on barbed wire in the buffer zone and was beaten by Grey Wolves members.

## Growth in telephone market likely to slow

European telephone handset shipments increased by 4.7 per cent last year to 44.8m units according to Dataquest, the market research company. Germany remains the biggest geographic mar-ket with 10.8m telephones sold last year, followed by the UK (7.81m) and France (6.91m). In volume terms Data-

quest expects the total European market to continue to grow, but at a slower pace, to reach 53.2m units hy 2000. towards more sophisticated products in the residential and business sectors, but are turers like Siemens, Alcatel role in shaping telapbona expected to begin to decline and Matra remain the most equipment markets.

by the end of the decade as important suppliers, prices fall. which can compate more

In most countries the market grew in value by between 4 and 6 per cent in 1995, but growth in the UK, France and Holland was slower. Overall the market is being driven by the replacement of older telephones in some countries such as Spain and Italy, and hy a rise in telephones per household in more developed mar-

kets. In the business telephone and private branch exchange (PBX) markets, growth Revenues also grew last reflects the economic recov-year, reflecting tha shift ery across Europe and improving confidence.

European-based manufac-

Ericsson ranks third after Siemens and Alcatel. Sales of talephonas through retail outlets are expanding, helped in part by lower prices in all market segments. However the average market price has

effectively on price account

for an increasing proportion

of sales. Siemens leads with

the largest share of the resi-

dential and husiness mar-

kets. In the business market,

increased slightly as sales of higher priced products grow. The traditional public tale phone operators (PTO's) continue to play a significant

#### employment trends. **OECD concern over Finland** Finland will have to make further cuts in public spending

institute's figure is generally thought to overstate the

situation, it is used as the authoritative measure of

if it is to meet European monetary union convergence targets for the budget deficit and public debt, the Organisation for Economic Co-operation and Development warned yesterday. Its annual report on Finland also said the government should curb the generous unemployment benefits system as a way of tackling a jobless rate exceeding 16 per cent of the workforce.

The Social Democratic-led coalition government has pursued a tough fiscal policy, but the OECD said it was uncertain that planned hudget savings would be sufficient to reduce a budget deficit set to reach 3.5 per cent of gross domestic product this year and to stabilise gross public debt at 60 per cent of GDP. Slower growth this year was to blame, but the OECD said the ageing population was also putting pressure on pension payments and welfare spending.

Hugh Carnegy, Stockholm

### China's inflation rate slows

China's inflation slowed further in July to its lowest level in three years, increasing the likelihood of a further easing of credit restrictions. Retail prices rose 5.8 per cent for the month compared with the same period last year, down from 5.9 per cent in June. Chinese economists are forecasting inflation for this

year of 7-8 per cent, well below the official target of 10 per cent. Inflation hit a post-1949 revolution high of 21.7 per cent in 1994. The authorities imposed a credit squeeze in mid-1998 to calm an overheating economy and restore discipline to the financial sector. Since the second half of last year the People's Bank, China's central bank, has been easing credit selectively. Tony Walker, Beijing

### UK in Turkmen oil deal

Monument Oil and Gas, the British oil company, has signed an exploration and production sharing agreement for three oil fields with the government of Turkmenistan. Monument will keep 60 per cent of oil produced at new wells, a percentage gradually falling to 10 per cent in coming years. The remainder, along with oil produced at existing walls, will belong to the government. Monument has pledged investments of up to \$50m in

the early stages but said total input could rise to \$300m. The company hopes to start boosting production before the end of the year. Sander Thornes, Almaty

### Ravers bring Zurich to halt

Zurich, Switzerland's banking and commercial capital, hosted its largest ever street party on Saturday and it could be its last. The population of the city roughly doubled as youngsters from all over Switzerland and elsewhere in Europe took part in the Zurich equivalent of Berlin's annual Love Parade.

Some 350,000 scantily-clad "ravers" brought traffic to a halt in central Zurich for several hours as they danced through the city to the electronic techno-music of 30 truck-mounted "love mobiles". The only hitch in the five-hour event was a disagreement

over who should pay the estimated SFr60,000 (\$50,000) clean-up costs. The organisers have warned that if they have to continue to foot the bill they may move the event

## Aznar's easy ride coming to an end

### David White on mixed feelings over the Spanish PM's first 100 days in office

eing prime minister has brought a small Change in Mr José María Aznar's holiday hablts. He has taken his family to the same beach in eastern Spain as in other years. But while before be could afford to rent only in the second row back from the seafront, now, thanks to the loan of a villa from a friendly indus-Here it is that Mr Aznar

tomorrow marks the first 100 days since being sworn into office, after belatedly getting parliamentary support from regional parties. The fact that this land-

mark, traditionally the first point for passing judgment on a new administration. falls in a week when almost everybody, including the government, is on holiday is somehow appropriate. In a country wearied by

the hitter scandai-ridden politics preceding the elections in March, the centre-right economy from funeral ser-Popular party (PP) government has so far enjoyed an easy ride.

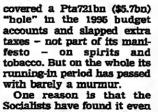
A poll yestarday in the tal gains, and set up its stall daily El Mundo newspaper for privatisation. shows public opinion evenly split as to whether the gov- month when, to general conernment's performance to fusion, the government dis-



middling.

After a fumbling start its programme gathered momentum with packages of economic measures, some of them rushed through by decree-law. It has liberalised restricted sectors of the vices to chemists, changed the tax structure to give privileged treatment to capi-

There was a hiccup last



harder getting used to being out of government, after Mr Felipe González's 13 years in power, than the PP to being in it. They have so far been ineffective in opposition: the anti-terrorist "dirty war" of the 1980s continues to cast its shadow over the party; since the election a fresh corruption affair has surfaced in its Navarre branch: and a predictably messy congress looms in the spring. An Aznar aide describes the

Socialists as being "in a minefield without maps". Nonetheless, the main task Mr Aznar set his government - putting Spain on the path of fiscal virtue - is proving harder than he

The PP was counting on an outright majority, which It failed to win, and hoped to jump on to the wagon of a Spending cnts so far, government has given the strong economic recovery. Pta200bn for this year, are impression of being under But growth, as in the core timid compared with France, European Union economies Germany or Italy. About longer.

flagged and so have prospects for extra government The signs ara that the

alowdown is now over, although consumers are still keeping their hands on their The CEOE employers' federation, a big PP supporter.

has marked the first 100 days as "positive", welcom-

ing measures adopted "in line with what other EU countries have been doing". But no wave of business euphoria has materialised. Tha recent commant of banker Mr Emilio Botin that "Aznar is creating confidence outside and inside the country" smacks of wishfulness. Many in financial circles have yet to be

The test is the 1997 hndget, which has to be drafted next month. It needs to be both extremely tight, to meet the deficit target for the European single currency, and to the taste of Mr Jordi Pujol, the Catalan leader whose support Mr Aznar cannot do

without.

that Spain exports to, has Pta1,000hn more savings are required for 1997. The government, having restricted its manoenvring room by promising no more tax increases, plans to freeze public-sector pay, putting to the proof its bid for cordial relations with the unions. The budget has to cover the additional cost of com-

pany tax breaks and the new regional financing system which the PP agreed on in post-election negotiations. This is expected to make more impact on tha 1998 budget. The Catalan and Basque

parties, with strong reservations among many of their ment, need to demonstrate that it is working in their regions' interests. Some strains are already showing hetween the PP and both parties.

The first few weeks after the summer break will therefore be critical both for the judgment of financial markets and for the regional political compromise on which the PP's power rests. So far, Spain with its new anaesthetic - hut not much

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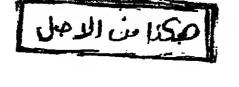
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### **NEWS:** ASIA-PACIFIC

## China softens line on HK democrats liquor

By John Ridding In Hong Kong

China has signalled a softer line towards Hong Kong democrats in an attempt to secure co-operation over next year's transfer of sovereignty, according to mem-bers of the Beiling appointed committee overseeing the

In a speech to the Preparatory Committee at the week-entitle Qian Qietan, Chi-na's foreign minister, said that Beijing was open to discussion with those opposed to its stance on handover

"As long as they share the common ground of support for the resumption of sovereignty and hope for a smooth transition: we can discuss the Hong Kong question and make things bet-

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Mr Qian's comments come as China seeks to step up preparations for its resump-tion of sovereignty and to ease concerns in Hong Kong. Beijing's plans to scrap the territory's elected Legislative Council (LegCo) have drawn fierce criticism from the Democratic party, the biggest party in the legislature, and have prompted worries about political free-dom after the handover.

Mr Martin Lee, leader of the Democratic party said Mr Qian's remarks represented a more opeo-minded attitude than Beijing's previous stance, which has excluded dissenting views

from the transition process. However, he said the party would uphold its policy of opposition to the Selection Committee, the 400-member hody which will nominate the chief executive to head the post-colonial government in Hong Kong and the memexisting LegCo.



tory: Committee mambers. Several influential members

voiced support for Mr Tung

at the weekend including Mr

Louis Cha, a veteran adviser

the committee's vice chair-

men.

Qian, left his remarks were welcomed by Lee

"We will not make a U-turn and help set up some-thing which la illegal," added one democrat, referring to the provisional legis-

He warned that China might simply be seeking; its political acts and its abolition of LegCo". resolutions

Under

approved by the plenary session of the Preparatory Com-mittee in Beijing, the Selection Committee will comprise 400 Hong Kong resldents - drawn equally from the four categories of the business community, professions, politics and labour representatives, grassroots and religious organisations.

Nominations for the committee may start as early as this week and, in a sign that Beijing is anxious to press ahead with preparations for the handover, officials indicated that they hoped to complete the selection of the chief executive in November.

Mr Tung Chee-hwa, the shipping tycoon, appears to bers of the provisional legis-lature which will replace the have strengthened his position as frontrunner for the

## **Japanese** appeal on tax ruling

The Japanese government has appealed against a World Trade Organisation raling that Japan'a liquor tax regime is in breach of WTO rules writes Michiyo Nakamoto in Tokyo.

The ruling followed the imposition of higher tariffs on distilled liquors, such as whisky, than on domestically produced shochn, a white liquor producad mainly by large Japaneee

Japanese taxes on whisky and brandy ara four to seven times those on shochn. The EU. US and Canada, which lannched the WTO complaint against Japan, claim that Japan's unfair tax regime is largely responsible for falling whisky and brandy sales.

Since 1989 shochn's share of Japan's distilled spirits market has grown from 61 per cent to 74 per cent, according to European busito Belling. Although Mr. Tung has yet to declare his candidately he already has strong backing including that of Mr. Henry Fok, one of the committee of the strong has a strong backing.

The WTO panel last monthsurged Japan to take measures to close the gap between taxes on shochn and other distilled liquor.

## Bomb sites greet tourists Amal Jayasinghe on Sri Lanka's depressed leisure industry

The few foreign holiday-makers where most of the buildings were still visiting Sri Lanka can tour either burnt or badly damaged, had the newest attraction - the scenes of recent bomh attacks - within

short drive from luxury hotels. Western tourists join local residents behind police barriers to view the shell of the central bank and other nearby high-rise buildings devastated during a auicide bombing on January 31 by the separatist Tamil Tiger guerrillas. The sites are not included in any

travel hrochure but most taxi drivers point to the first - a monument at Armour Street to President Ranasinghe Premadasa who was assassinated by a suicide bomber in May 1998 - as visitors are driven into the capital from the airport.

A short walk from the central bank and along the promenade right in front of the luxury Taj Hotel lies the spot where the navy chief Clancy Fernando was killed by another suicide bomber in November 1992.

There are at least half a dozen other such sites, some with monuments, others with no sign of the destruction caused at the time.

Foreigners have not been targeted in any of the attacks but the bombings have hit tourist arrivals with official figures pointing to a 40 per cent drop in the first five months of this year.

President Chandrika Kumaratunga last month ordered the release of some SLRs600m (\$11m) as concessionary loans to clean up the multi-storeyed buildings in central Colombo damaged during the attack on the central bank. The president said Queen Street,

turned into a new tourist attraction and must be rebuilt soon

The government's battle against the Tamil Tigers is almost 400km to the north of the capital and safely away from the tourist sites but the reports of fighting have worried travel agents.

Hotel owners say they are already in the red. Most have dismissed part-time employees and many are threatened with closure.

#### There has been a 40% fall in tourist arrivals in the first five months of this year

Some hotels have begun offering rock-bottom prices to local visitors just to remain in husiness. One of the best hotels in the central Kandy region offers full board at SLRs750 a night.

"Hotels are in a desperate situation," said Mr Gilbert Jayasuriya, president the Hoteliers Association. "Unless the government does something to repair the image of the country the whole industry will collapse." Since the central bank blast, in which 91 people died, arrivals have been going down.

Sri Lanka's main market. Germany. recorded a fall of 44 per cent to 20,517 German tourists visiting Sri Lanka in the first four months of the year. The number of Britons dropped by 6.7 per cent to 19,563. Mr Jayasuriya said most

hotsls were experiencing occupancy rates of about 20 per cent. The poor performance in the tourism

sector was reflected in the latest annual report of John Keells Holdings. the diversified Sri Lankan private com-Mr Ken Balendra, the chairman, said

the fall in the number of holiday-makers had hit the leisure industry badly and his company had deferred plans to

"Sri Lanka has now established itself as a low-budget, last-minute destination where tour operators fill empty seats on airlines at substantially lower package prices which eventually filter down to lower hotel and transport

"This is the unfortunate predicament that the industry finds Itself in." Mr Dharmasiri Senanayake, tourism

minister, said Sri Lanka was about to launch a big publicity campaign abroad and invite foreign journalists to assess how safe the country was for tourists.

"Every country has these problems," Mr Senanayake said. He said a moratorium on loan re-payments hy tourist hotels would be in force until the end of this year when the industry was expected to emerge from the present

"Hotels will not have to pay the instalments on the loans outstanding since April," Mr Senanayake said, adding that the government together with airlines and private-sector compa nies would spend SLRs125m to rebuild the country's image as a safe holiday

## **Bangkok** split on banking licences

By Ted Bardsoke in Bangkok

The approval of new licence for domestic banks in Thailand is causing a big split in the seven-party coalition of Prime Minister Banharn Silpa-archa. The leader of one government party has alleged that \$90m in bribes were paid by applicants and has threatened to help topple the prime minister if the licencea are awarded as scheduled at a cabinet meeting tomorrow.

As part of o plan to liberalise financial markets, the government agreed to award five new domestic banking licences, the first new licences granted for more than 20 years. Six groups applied and a

committee ied by former Bank of Thailand governor Vijit Supinit recommended three winners. Their applications were passed on to Mr Surakiart Sathirathai, the then finance minister, who said he would approve them. But Mr. Vijit and Mr. Sur-

akiart were both forced to resign before the new ences could be acted on by the cabinet. Supporters within the coalition of groups which were disqualifled have sought to exploit the turmoll hy seeking to derail the liberalisation.

Deputy Prime Minister Chavalit Yongchalyudh. leader of the coalition's second largest party and an aspirant to the prime minister's office, has complained that the rejection of a group led by the War Veterans Organisation was unfair even though the group's application violated hid terms on several counts.

Gen Chavalit, who is also defence minister and has spearheaded a drive to move military organisations into commercial business, prevented the banking issue from being put on the cabl-net agenda last week.

Justice Minister Chalerm Yoohamrung, an ally of Gen Chavalit, claimed Bt750m (\$29.8m) was "paid under the table" for each of the new

bank Brences. Rumours of euch payments have long been circulating in the financial community and officials involved in the screening process have denied wrongdoing. Analysts say the row is part of a growing intru-sion by politicians into the affairs of the bureaucracy.

## Jakarta to revive sell-off impetus.

in Jakarta

Indonesia's -- state-owned electricity company Perusa haan Listrik Negara and steel manufacturer Krakatan Steel plan to list their shares next year.

The move will help revive Indonesia'e privatisation programme, following last disappointing year'a response to the initial public offering of Telkom, the state-controlled domestic telecoms company.

only a few days after news that Bank Negara Indonesia, the country's largest bank, will be ready to sell shares to the public later this year. Krakatau Steel planned to hold an initial public offering to raise \$600-\$700m in the second half of 1997, said

The announcement came

wore, president director. It is unclear whether the steel group's offering will include an overseas listing. However, thance ministry officials confirmed earlier this year that the BNI float

Mr Scetoro Mangoensoe-

would be a demestic issue. Mr Ditteng Marsndi. PLN's president director, said two of the company's power generating units serving the Java/Ball grid -Genco I and Genco II would be floated on interna-

tional capital markets.
The two generation units which have a book value of Rp6,000bn (\$2.6bn) each, are wholly owned by PLN, the biggest state-owned company which had assets worth Rp44,000bn at the end of 1995. We are at the sta of looking for legal and financial advisers," Mr Dil-

teng said. The offering will be structured along the lines used by Telkom, which initially, planned to sell 27.5 per cent of its shares but was forced to reduce the offer to 19 per cent after poor international

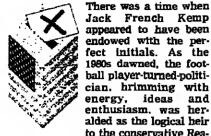
The cash-strapped electricnpany, which plans to fund its annual \$3bn-\$4bn capital expenditure requirement through a combination of internal cash, government equity, soft loans, exports credits and capital markets proceeds, plans to increase installed capacity by 40 per cent to 20,000MW

in 1999. Mr Dilteng said the com pany expected electricity. consumption to continue its.



## The big question is whether Kemp and Dole can sing from the same Republican hymnbook

## Footballer-turned-politician rescues convention



appeared to have been endowed with the perfect initials. As the 1980s dawned, the football player-turned-politician, hrimming with energy, ideas and enthusiasm, was heralded as the logical heir to the conservative Rea-

gan revolution he had ELECTIONS Now, if he is ever to

hecome president, it will be via the unlikely route of having helped propel into the White House the 73-year old Boh Dole, a man with whom he had little in common and with whom there is a record of animosity. and as the vice-presidential candidate of a party of which he said hut six

mate has rescued this week's party

or, much more likely, yet another 11th hour gamble by the Republican nominee comparable to his unexpected decision to leave the Senate

Although vice-presidentlal candidates rarely make a critical difference to an election, Mr Kemp undoubtedly brings to the ticket a certain glamour and a longstanding national reputation, unlike most of the handful of Republican governors and senators Mr Dole had under consideration.

Even Democrats concede that only retired General Colin Powell, or possibly Governor Christine Todd Whitman of New Jersay, could have brought greater "star" appeal, hut both long ago took themselves out of consider-

But the choice poses almost more questions than it answers. Can Mr Dole and Mr Kemp possibly sing from the same hymnbook for the duration of the campaign against President Bill Clinton and Mr Al Gore? Can Mr Kemp, with his libertarian streak and self-de-At the very least, Mr Dole's choice of scrihed "hleeding heart" social the 61-year-old Mr Kemp as his running instincts, stop feuding with the dogmatic social and religious conserva-

Jack Kemp was born and educated in California and first made an impact in his 14-year football career as a quarterback for the Los Angeles Chargers, who moved to San Diego. This history might halp a little in a state which President George Bush wrote off in the 1992 campaign and where Mr Dole now trails Mr Clinton hy around 25 points.

He also commands respectable upstate New York credentials, having had his best seasons playing for the Buffalo Bills until 1970 and then representing the city from 1971-89 in the US House of Representatives. Like Bill Bradley, the haskethall star who became the Democratic senator from New Jersey, sports never impeded his political interests and he was a special assistant to then Governor Ronald Rea-

gan of California as early as 1967. In Congress, Mr Kemp, unlike Mr Dole, was a tax-cutting supply sider from the beginning, co-author, with the senator from Delaware, of the Kemp-Roth programme, the premise of which was that lower taxation would generate economic growth of such magnitude

discipline required the US to return to the gold standard.

He entered the 1988 campaign for the Republican nomination with high hopes but, along with Mr Dole, performed disastrously. He prefsrred long-winded lectures to conventional stump speeches and grass roots organisation and was eliminated from contention early - though not before some public spats with the man who has now invited him on to the ticket.

Still, his reputation was high enough among conservatives that he was an early favourite to become George Bush's running mate. That went to then Senator Dan Quayle, but compensation came in Mr Bush's offer to serve as housing secretary.

For many of the next four years Mr Kemp appeared a fish out of water in tha Bush cahinet. Representing working class Buffalo had turned him into an enthusiast for inner city revitalisation - through the creation of enterprisa zones and the privatisation of public housing.

But domestic policy was never tha

Kemp always said that the locker help minorities; he has expressed conrooms of his sporting career had been a cern over radical welfare reform; and powerful antidote to racial prejudice he thinks the 1994 ban on the sale of hut it was only after Los Angeles erupted in flames in 1992 following the acquittal of the four policemen accused of beating Rodney King, an African American, that he was able to drag his

president into a public response. With Mr Bush's defeat, Mr Kemp moved into the Washington think-tank world, as co-director of Empower America along with Mr Bill Bennett, tha former education secretary. The institute was partly financed by Mr Steve Forbes, the magazine millionaire and a longstanding personal friend, whom Mr Kemp endorsed over Mr Dole in earlier primaries this year.

That perch found Mr Kemp increa ingly at odds on social policy with the conservatives who swept into power in Congress in 1994. Earlier that year he campaigned against the California ballot initiative that sought to deny social services to illegal immigrants.

This is hy no means the only article of the current Republican faith which

party or will be succeed in significantly bly declina. But he was also then, and broadening its narrowing base?

Inch Karm was been and adverted in the was also then, and may still be now, a believer that fiscal can minorities, especially blacks. Mr assault weapons should be retained.

Although a personal opponent of abortion, Mr Kemp's libertarian bent means he has never expressed interest in a constitutional amendment to outlaw it, as the platform has demanded since 1980. His selection has, therefore, been welcomed by pro-choice Republicans but immediately criticised by Mr

Pat Buchanan's cohorts. But the Dole-Kemp ticket thinks it can do what Mr Clinton did four years ago with his campaign motto "it's the economy, stupid". In that respect it is the senior partner. Mr Dole, once so dismissive of the supply side approach, who has moved far enough in Mr Kemp's direction to make the improbable marriage thinkable.

Still, lika husband and wife, both will have to contain their language. Mr Dole had courted Mr Kemp early in the primaries and, when jilted for Mr Forbes, commented "I've had it with the quarterback". Now he has tied a

## Laconic Dole looks for Republican bounce

The conventional wistions is not rocket science. In polling terminology conventions usually provide what is called a "bounce."albeit a temporary one. Even those who eventually go on to heavy defeat, such as the Democrats Walter Mondale and Michael Dukakis in 1984 and 1988, came out of their conventions with reasons to hope after raising their ratings by upwards of 6 points. ing affairs in San Diego for



Mr Boh Dole, freely talks polling numbers. He wants the Republican ticket's deficit down to "single digits" by the end of this week compared with the 20 points and more it now lags behind President Bill Clinton and Vice-President Al Gore.

Thus the serious game. beneath all tha balloons and hoopla, is to energise tha battle abead while giving the tionist arguments inimical servatives have drawn up a national watching audience to the governor's convicand the media reason to take tions. a second look at the November option.

for the Republican party in Democrat, in a state with a the last two presidential liberal tradition. He is not election years. Houston in about to give his opponent 1992 exposed large fault lines between moderstes and the the lines that he is a tool of surging conservative tide, dogmatic conservatives. divisions which, if anything, may be more acute today. The unexpected choice of unpopular with religious and Mr Jack Kemp as Mr Dole's social conservatives, was running mate probably does miffed because he was allo-

no short-term barm, not least hecause it gives the focus and an institutional populist villain – the Internal Revenue Service.

This has been made possihle hy the presidential nominee's Damascene conversion to supply-side economics, revealed in his tax-cutting might draw attention away from the party's gulf on social policy, even though it has already invited the inevitable "fllp-flop" charges from the Democrats.

For once, the discontented Rapublican moderates are complaining as loudly as the right-wingers. Over the eekend two of the most influential state governors, Bill Weld of Massachusetts and Pete Wilson of California, head of the host state to the convention and a former mayor of San Diego to boot, did not bother to hide their plque. Mr Weld announced he

would not address the convention on Wednesday night because the Dole campaign wanted him to speak only on economics rather on diverse party opinions on abortion. He was also furious that he had been asked to introduce a video on the merits of Mr Morry Taylor, the midwestern tyre magnate who won a few thousand primary votes with strongly protec-

Mr Weld is in the toughest of races for the senate seat held hy Mr John Kerry, the any free ammunition along

Mr Wilson, like Mr Weld strongly pro-abortion and



Bob Dole (right) with his newly sumounced running mate Jack Kemp at a campaign rally in Kansas

cated what he thought was an inferior and ridiculously short speaking slot.

The greatest capacity for maybem still rests with Mr Pat Buchanan, the rightwing pundit and candidate, is certain to speak his mind on the convention floor or off it if he is excluded. But even his rambunctiousness may be tempered

by the knowledge that con- will Mr Dole. party platform as far to the right as any in recent Repubwas not far wrong in describing the platform as "Buchananesque throughout" on issues ranging from ahortion, the death penalty, affirmative action, gun control, immigration and xenophobic America First foreign policy. to anybody born in the US. However, it is equally

the platform may matter to the committed and activist delegates who drafted it, it often disappears into oblivion as the campaign proper unfolds. Even the party candidate may choose to overlook those parts of it he does not like, although the opposition will try to

saddle him with it, as the

Clinton campaign certainly

For that reason, and counteracting the discontent of Messrs Weld and Wilson. llcan history. His sister, Bay, the Dole campaign is also parading Republican moderates this week - none more illustrious than retired General Colin Powall, one of tonight's featured speakers. as well as Congresswoman

Susan Molinari of New York. There will also be tonight It would even deny the 130-year-old right of citizenship to former President Ronald appearance hy his wife, conventional that though Nancy, plus speeches hy the

other two living Republican ex-presidents, Gerald Ford and George Bush. Glossy "infomercial" videos will again prove a staple diet for the gaps betwaen the

On the other hand, one of the most visible Republicans on national TV this week will be the man who dislikes sticking to scripts and whom the Democrats consider their biggest electoral asset - Mr Newt Gingrich, Speaker of convention's presiding co-chairmen.

A year ago Mr Gingrich chairmanship as yet another jewel in the crown of his conservative revolution, hut that was before he, and It, got carried away and allowed Mr Clinton to re-establish himself as the Reagan, including an clear favourite for re-election.

Yet it is the last act of the Jurek Martin

convention, the acceptance speeches by Mr Dole and Mr Kemp on Thursday night, which may matter most of all if the "bounce" is to be measured in more than

It will not be easy for the notorlously laconic presidential nominee to rise to the occasion. He could do worse than take another another politician with a the House and one of tha reputation for mangling words - George Bush in New Orleans in 1988. That speech contained many memorable phrases, none finer than we've got to leave the tired old baggage of higotry behind".

That sent the then vicepresident well on his way to reducing Michael Dukakis's bounce to millimetres.

## Perot party's anti-convention

By Patti Waldmeii in Long Beach, California

No balloons. No delegatas. No placards. The Reform party of Mr Ross Perot. America's antl-politician. last night held Its anti-con-

The point, say Reform party officials, was to appeal to voters tired of politics as performance art and who business. So they set out to produce a convention as homespun and glitz-free as the Texas billionaire himself.

Bnt that message was rapidly sullied by allegations Mr Perot - who ran for president on a clean-politics ticket In 1992 and won 19 per cent of the vote - had resorted to some of the oldest tricks in the partisan handbook to defeat his rival, Mr Richard Lamm, for the Reform party's presidential nomination.

Last night was the final skirmish in the nomination battle, but the victor will not be known until Sunday. For the party's nomination process is as unconventional as the convention itself: instead of a beavily staged meeting with thousands of delegates in one place, the Reform look at the eloquent party is holding what acceptance spaech of amounts to a "virtual" conamounts to a "virtual" con- tion for dour plain-speaking vention. Party supporters were actively discouraged from coming to the convention site in Long Beach, and asked to follow proceedings on cahle television, from their own sitting rooms or with like-minded people at so-called "watch parties".

Over the next week they will vote for their nominee. either by phoning a special toll-free number flashed across thair television

their choice vla a Reform party web site, or, for the technologically challenged, hy post. Voting is due to con-tinue untll the party announces its nominee on Sunday in Valley Forge.

Party officials argue that this exercise in "electronic democracy" is fairer than a conventional convention, because it invites the direct participation of every party supporter. But Mr Lamm, a former Colorado governor. has reason to disagree.

He has aired a litany of complaints against the man who founded the Reform party (and who paid for last night's convention). He says Mr Perot denied him access to the master-list of party supporters, which was drawn up by Perot officials based on signatures gathered at petition drives across

the country. Perot spokesmen claim a technicality of the electoral law prevented them from giving Mr Lamm the names and addresses of the 1.1m people on that list. But the dispute has damaged the image of the party of clean

Mr Lamm appeals to many who dislike the mercurial Mr Perot. But he has a reputaearning him the nickname "Governor Gloom" during his days in Colorado polítics. which may prove a handi-

Mr Perot will almost certainly defeat him in the poll. But the most interesting figure could he the number of people who bother to vote al all. When the party sent out . nearly 1m primary ballots in July, to determine who should he on the final nomscreens, by logging on to the inating ballot, only 4.9 per Internet and registering cent were returned.

## for fresh dose of austerity

By David Pilling

President Carlos Menem this weekend warned Argentines to prepare for imminent austerity measures, saying sacrifices would he demanded from all sectors of society. Mr Menem, in his annual

Society, said: "This president does not want to single ont industries for taxation and even less to punish the farm sector and the interior of the country. But we are asking for an effort from all." His message came ahead

of the expected announcement this week by Mr Roque Fernández, the newly appointed economy minister, of measures aimed at closing the budget deficit, expected to reach \$6hn this year.

Mr Fernández, an orthodox monetarist, believes it is vital to tackle the deficit more than twice that agreed with the IMF - to restore confidence and reduce interest rates.

to 30 per cent in diesel prices has stirred the wrath of the Rural Society, told Mr discontent.

would damage the agricul-ture sector, performing well after years of stagnation. A return to the past, in which farmers were squeezed to subsidise industry, would be a disaster, he said. Top industrial leaders

were equally adamant. Plans to scrap exemptions on value-added tax. to raise amployer contributions and to cut export subsidies would kill off the tentative recovery from last year's recession, they said. Last week, unions para-

lysed the country in protest at measures to cut wages and family allowances. The strike, the biggest since Mr Menem took office in 1989. broadened into a repudiation of the government's economic policy in general.

Against this background, the delay in announcing the economic package, originally expected several days ago, has caused speculation of deep rifts within the government. Mr Fernández may be A proposed increase of up struggling to convince all sections of the governing Peronist party of the wisdom farmers, for whom diesel is of pursuing austerity in the an important input. Mr context of recession, record

## Argentina set | Landmark lawsuit tests tobacco giants' nerve

The cigarette industry will fight the case down to the very last appeal, says Richard Tomkins

Florida lung cancer patient who smoked for more than who smoked for more tran-40 years was due to collect \$750,000 from the US tohacco industry after winning a landmark lawsuit late on Friday.

How long he will keep the money is another matter: for one certainty about the case is that the tohacco companies will go to almost any lengths in their efforts to get the ruling overthrown. Until now the long-standing

boast of the US tobacco industry has been that it has never been forced to pay a penny in damages to anyone claiming to have suf-fered damage to their health from smoking cigarettes.

US juries have traditionally taken the view that, with or without the health warnings nowadays printed on cigarette packs, consumers are well aware of the risk associated with smoking and choose to accept them each time

they light up a cigarette. The only exception occurred in 1988 when a jury awarded damages of \$400,000 to the husband of Rose Cipollone, a New Jersey woman who died of cancer after smoking ahout 30 cigarettes a day since the age of 16: hut that award was over-turned on appeal.

On Friday the tobacco industry's record came under threat again when a six-member jury in Jacksonville, Florida, awarded \$750,000 to Mr Grady Carter, a 66-year-old retired air traffic controller, and his wife Mildred.

In a trial lasting about three weeks, Mr Carter told the Duval County Circuit Court that he had started smoking in 1947, favouring unfiltered Lucky Strikes before switching brands in 1972. He gave up smoking in 1991 when doctors found he had cancer, and had part of a lung removed the same year. Mr Carter's lawyers appear to

have based their case on the fact that health warnings did not begin to appear on cigarette packs in the US until 1966. Mr Carter said he was encouraged to smoke by pre-1966 advertisements, some of which implied that one hrand might be safer than another. Mr Carter's lawyers also pres-

ented tha court with copies of leaked from Brown & Williamson Tohacco, the third higgest US tobacco manufacturer, suggesting that the company knew far more about the health risks associated with smoking than It had ever chosen to share with the public.

Mr Carter's suit was hrought against American Tobacco, maker of Lucky Strikes. Following a takeover in 1994, American Tobacco is now part of Brown & Williamson Tobacco, which in turn is owned hy Britain's BAT Industries. News of the Carter verdict came advertisements that were pres- Lex.Page 18

closed on Friday, but in after-hours trading tobacco stocks plunged by up to 15 per cent on fears a wave of similar lawsuits could follow. Prices are expected to tumble when official trading opens this

US tobacco companies dismissed the verdict as "an aberration" and said it would almost certainly be overturned by a higher court. Brown & Williamson Tobacco said the award was "the product of error that is subject to appeal with a very good possibility that the verdict will be reversed."

R.J. Reynolds Tobacco, the cigaretta-making subsidiary of RJR had allowed into evidenca documents from a company whose smoked, and that some of the ented as evidence ran before the

Philip Morris, the higgest US tobacco company, also pointed to tha fact that no legal precedent had been set by the Carter verdict because each tobacco case had to be based on the unique circumstances of each individual smoker. Indeed, an attempt to bring a class action auit on behalf of all US smokers was thrown out hy an appeal court in May.

Even so, a spate of leaked documents indicating that tobacco companies systematically concealed evidence about the health risks and addictivenes of smoking has Nabisco, said the ruling was "rid-dled" with errors. It said the court try's reputation: and the Carter ruling could prova pivotal if it indicates that US juries are at last products the plaintiff never starting to take a different view on the issue of liability.

## Cloud over Canada's economic silver lining

By Bernard Simon in Toronto

Two announcements from Ottawa economy almost every silver lining seems to have a clond.

The Bank of Canada showed its new-found independence from the US Federal Reserve on Friday by lowering interest rates for the fifth time this year without waiting for economic growth, the Bank of Cana lead from Washington, and with- ada has suggested that it is more Enrique Crotto, president of unemployment and growing out causing a run on the Canadian worried about deflation.

clear from news that unemployhave proved that for Canada's ment in July was 9.8 per cent. The johless rate has been above 9 per cent every month for almost six years, a stretch not equalled since the Great Depression.

While US economists fret about the inflationary impact of strong

But the reason for the aggressive cent, about half US levels. But loosening of monetary policy was gross domestic product edged up by a modest 1.4 per cent in real terms in the year to May, with sxports providing most of the spread on two-year bonds was impetus. Despite the slide in interest rates, housing starts are only and five-year bonds were on the moderately above last year's levels, the lowest in over three

The central bank's latest easing has prompted commercial banks to cut their prima lending rates from Canada's inflation rate is 1.4 per 6.25 to 6 per cent, effective today.

Short-term Canadian rates said another rate cut could be in dipped below US levels in February, and the gap has widened ever monthly inflation report, provided since. By the end of last week the approaching 1 percentage point, verge of dipping below their US

counterparts.
"This is truly a brave new world for Canadian monetary policy," enthused Ms Sherry Cooper, chief economist at Neshitt Burns, a Toronto securities firm. Ms Cooper

the offing after this Friday's the Canadian dollar remained sta-

The absence of the currency pressure that has abruptly pushed interest rates upward in the past reflects a number of favourable trends. Besides low inflation, tha current account of the balance of payments is heading towards a surplus for the first time since

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### **NEWS:** INTERNATIONAL

## Oil prices resilient in face of Iraq deal

Market fears that US approval last week of the United Nations' oil-for-food plan for Iraq would trigger an oil price collapse have proved over-pessimistic, according to industry ana-

However, they warn that the resilience of the relatively high current oil price will be tested when physical supplies from Iraq begin to flow, probably in the next

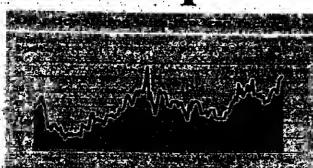
The last barrier to the resumption of Iraqi oil exports for the first time since the invasion of Knwait six years ago was lifted on Wednesday when the US joined other UN Security Council members in approv-ing a plan to monitor oil sales and to distribute humanitarian supplies within Iraq, including the rebellious Kurdish areas in the north of the country.

I party's

**convention** 

There had been concern that the final UN approval would signal the start of a price war by countries such as Iran, which stand to lose market share to Iraq. The Baghdad would finally accept UN Resolution 986 after years of rejecting it as an unwarranted intrusion on the country's sovereignty prices actually firmed after last week's announcement and traders say there has market. Russia, ironically been no evidence that other members of the Organisation on the Security Council, also of Petroleum Exporting Countries are cutting prices

to protect export markets. Until recently the conventional wisdom was that Iraqi crude would edge out other Opec producers and "that would leave them depressed



ing among themselves,"

according to Mr Robert Mabro, director of the Oxford Institute for Energy is that the world oil market is tighter than most people

He believes that the strong growth in world oil demand means that it will take only six months or so to absorb the 600,000-700,000 barrels a day of Iraqf crude that is

expected.
But he concedes that the short-term impact could destabilise the Mediterranean oil market, where much of the Iraqi crude is likely to be sold.

"The Mediterranean is announcement in May that always tricky," he says. "The arrival of Iraqi oil could stress the market quite easily. It depends on what it will displace."

Iran, Irag's arch-rival, will affected, as it is a big supplier to the Mediterranean one of Iraq's main backers depends on the region to take much of its Urals Blend.

Some analysts expect Iraq will try to undercut such producers and maximise export volumes in order to re-establish links with old customers and to entice new and they would start fight- ones to do business with winter," he says.

Baghdad.
They note that the UN deal, which sets a value rather than volume target Studies. But the simple fact for Iraqi exports of \$2bn every six months, might work to lraq's advantage. But such a strategy may prove tricky to implement The UN guidelines prevent the country from dumping oil on the market and the US is expected to examine each sale in detail to ensure that Iraq does not gain any undue advantage

> "I don't see the Americans turning a blind eye and I don't expect the Iraqis to play by the book," says Mr

Analysts say other political factors could also help stave off a general price collapse if the arrival of Iraqi oil does prove destabilising The renewed tension between the US and Iran unsettled oil markets. But be one of the countries most may make some of the world's refiners more cautious about the level of stocks they hold.

Mr Gary Ross of Pira, an oil industry consultancy in the US, says even relatively small changes in stockbuilding patterns could give substantial support to prices. "The addition of just another day or two's consumption to industry stocks could keep fundamentals strong this

## Violence erupts over crime rally in S Africa

South African troops and police yesterday fired rubber spoke strations against the country's worsening crime rate.

Tension throughout the day, initially provoked by gangsters who showed their contempt for by staging their own armed demonstration, marshalled by police.

of thousands of Moslems, supporters of the community-based organisation People against Gangsterism and yesterday's counter-demon-Drugs (Pagad), held a rally to underline their readiness to defy the law by launching further action against gang leaders. Troops and police in 1,000 supporters. armoured vehicles patrolled The Pagad rally in Athlones the adjoining suburbs in an attracted delegations from attempt to keep the two

sides apart. demonstrations in front of

by Roger Matthewis. "That is bridged that we see no longer proposed to put up with this intolerable.

level of crime, said a spokesman for Pagad. The organisation last week bullets and teer gas as vio-lence flared in Cape Town gave gaugaters seven days to following Moelem-led demon-surrender themselves and confess their crimes. Paged leaders warned journalists to increased stay away from the rally because they could not guarantee their safety.

supporters of law and order Paged killed Rashaud Stag-by staging their own armed gie, a gang leader, after a 15minute gun battle which television cameras filmed Two kilometres away, tens and police did nothing to

> His twin brother, known as "mad dog Rashied", led stration, travelling in a bright red car and shielded by darkened glass. He was accompanied by at least

several South African cities. During talks on Saturday We will continue our with Mr George Fivez, the mass action, pickets and national police commissioner, Pagad leaders agreed

visible display of weapons during the rally. Later, however, members

of the crowd produced weepons and groups of men left the rally saying they were going to march on the homes of drug dealers. Police and troops attempted to stop them and opened fire with teer gas and rubber bullets. Mr Fivaz had earlier

refused to meet a delegation A week ago members of representing the gangsters. "Why give legitimacy to the illegitimate?" he asked. Support for Pagad appeared yesterday to be growing nationally, with

demonstrations in Durban and in Lenasia, a south-west ern suburb of Johannesburg which adjoins Soweto.

Mr Pik Botha, the former foreign minister, called yesterday for the suspension of parliament and the staging of a national convention to The Pagad rally in Athlones discuss ways of halting the crime wave.

Parliament resumes today in Cape Town after the winter recess and members of the opposition National party are expected soon to the houses of the gangsters that there would not be a raise the crime issue.

## Arafat attacks Israeli decision on settlements

By Seen Evers in Cairo

Palestinian President Yassir Arafat yesterday expressed his disappointment with the new Israeli government's decision to lift the four-year ing yourself." freeze on Jewish settlements in occupied Arab land. He also said he would turn to international arbitration if his peace goals were frustrated by the Jewish state Mr Arafat said he was "very disturbed" by the government decision, describ-ing it as tantamount to tearing up the Jewish state's 1993 Oslo peace accord with the Palestinian Liberation

Mr Arafat met the Fatah central committee in Cairo. the main party of the Palestinian liberation moven where they discussed the status of Jerusalem and the erisis presented by the resumption of the settleents policy. It was the first Jerusalem. full meeting of the central committee since the Oslo

Palestinian Authority, yes-activities in east Jerusalem. terday said "settlements and Mr Netanyahu claims that peace cannot go together.
He said: "People are saking us to wait and see, but you cannot wait without prepar-

There are 145,000 Jewish settlers living in 144 settlements in the West Bank and the Gaza Strip, bome to nearly 2m Palestinians. The decision by Mr Benjamin Netanyahn, the Israeli prime minister, will clear the way for the cale of 2.50e the way for the sale of 2,509 new apartments in the West Bank, bringing up to 10,000 new settlers into the occupied territories

"The world, the Israelis, and Mr Netanyahu must understand that we have two things that, if devel-oped, can end the wbole peace process, renewed settlements and Jerusalem," said Mr Faisai Husseim, the top Palestinian official in

has said that it would not peace talks. Mr Netanyahu restart negotiations with Mr was elected on a platform Mr Nabil Sheath, minister Arafat and the Palestinian of planning and interna- Authority until the Palestin- lem as the circus tional co-operation for the lans halted all political the Jewish state.

House, the un-official PLO headquarters in the holy city, were a violation of the Oslo agreement.

"The meeting of the leadtinian organisation will strengthen the Palestinian Authority and give new hope to the Palestinian peo-ple," said Mr Husseini. A Palestinian official said

Mr Arafat was resisting advice from Egyptian Presidept Hosni Mubarak and Jordan's King Hussein to fufil agreements with the strategy change. Previously he has been reluctant to

Mr Netanyahu sparked further Arab anger yester-day when he ruled out compromise on Jerusalem, one The Israeli government, of the thorniest issues in the was elected on a platform that upholds all of Jerusa-



#### **Durban Roodepoort** Deep, Limited

Notice convening a general meeting of members of Durban Deep to amend Durban Deep's authorised share capital from ordinary par value shares to ordinary no par value shares, to increase Durban Deep's authorised capital, to smend Durban Deep's memorandum and articles of association and to authorise the allotment and issue of ordinary shares and the grant of

#### INTRODUCTION

The directors propose that units comprising one new ordinary no par value share in the company and one 'A' share option entitling the holder to subscribe for one ordinary no par value share in the company are to be issued in terms of an agreement to acquire the entire issued share capital of West Witwatersrand Gold Holdings Limited ("the agreement"). The directors have, accordingly, convened a general meeting of members in terms of the notice set out below to consider the special and ordinary resolutions necessary to implement the agreement, create new no parvalue. ordinary ahares, place same under the control of the directors and to authorise the rectors to allot and issue the new ordinary shares and the 'A' options in terms of t

#### NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of ordinary and praferred ordinary shareholders of the company ("shareholders"), will be held in the boardroom of Randgold & Exploration Company Limited, 5 Press Avenue, Selby, Johannesburg, at 14:00 (South African time) on Wednesday, 4 September 1998, for the purpose of considering and, it deemed fit, passing, with or without modification, the following resolutions:

Resolved that 433 600 authorised but unissued ominary par value shares of R1,00 each in the capital of the company be and are hereby converted into 433 600 'A' ordinary par value shares of R1,00 each, so that the authorised share capital of the company will comprise 433 600 'A' ordinary par value shares of R1,00 each, 14 566 533 ordinary par value sh 2 999 867 preferred ordinary par value shares of R1,00 each, the rights and conditions of which 'A' ordinary shares shall be as set out in a new article of the articles of association of the company as inserted in terms of special resolution

#### SPECIAL RESOLUTION NUMBER 2

"Resolved that, subject to the passing and registration of special resolution number I set out in the notice of general meeting at which this special resolution number 2 will be considered, the articles of association of the company be and are hereby amended to reflect the following rights which shall attach to the "A" ordinary per value shares of R1,00 each in the authorised share capital of the company by the shartlon in the said articles of association of the following

189. The 'A' ordinary shares in the share capital of the company shall confer the right on a winding-up of the company, in priority to the holders of the ordinary shares, but after the holders of the preferred ordinary shares in the share capital of the company, to the repayment of an amount equal to the sum of the paid-up value of the 'A' ordinary shares togethe with any premium paid on the Issue of such shares. Save as aforeseic ct to the provisions of section 195 of the Act, the 'A' ordinary shares and the ordinary shares in the share capital of the company shall rank pari passu in all respects."

#### **SPECIAL RESOLUTION NUMBER 3**

"Resolved that, subject to the passing and registration of special resolution number 2 set out in the notice of general meeting at which this special resolution number 3 will be considered, article 65 of the articles of association of the company be and are hereby amended by inserting the words "and "A' ordinary shares" between the words "shares" and "and" in the first line of article 65 and by inserting ", subject to the provisions of section 195 of the Act," between the words "and" and "upon" in the fourth line of article 65, so that the said article will

'85. Subject to any special provisions governing preference shares and 'A' ordinary shares, and to the provisions of the Act, every member of the representative, proxy or agent of such member, as the case may be, shall on a show of hands have one vote and, subject to the provisions held by such member, provided that ..."

### SPECIAL RESOLUTION NUMBER 4

"Resolved that, subject to the passing and registration of special resolution number 3 set out in the notice of general meeting at which this special resolution number 4 will be considered, each of the 433 600 'A' ordinary par value shares of R1,00 each in the authorised but unissued share capital of the company be and is hereby sub-divided, in terms of section 75(1)(e) of the Companies Act No. 61 of 1973, (as amended), ("the Act") into 100 'A' ordinary par value shares of 1 cent each so as to comprise 43 360 000 'A' ordinary par value shares of

### 5. SPECIAL RESOLUTION NUMBER 5

"Resolved that, subject to the passing and registration of special resolution number 4 set out in the notice of general meeting at which this special resolution number 5 set out while he authorised share capital of the company shall, in terms of section 75(1)h of the Act, be distributed by an amount of R7 825 217,00 by the cancellation of 7 825 217 authorised but unlessed ordinary par value shares of R1,00 each."

### SPECIAL RESOLUTION NUMBER 6

"Received that, subject to the passing and registration of special resolution number 5 set out in the notice of general meeting at which this special resolution number 8 will be considered, the company hereby converts, in terms of sections 75(1)(f) and 78(1) of the Act, its:

(a) authorised share capital of R10073783,00 consisting of 6 640 316 ordinary par value shares of R1,00 each, 2 999 867 preferred ordinary par value shares of R1,00 each and 43 360 000 'A' ordinary par value shares of 1 cont each into 50 000 318 ordinary no par value shares ranking pari passu in all respects and 2 999 867 preferred ordinary no par value shares ranking pari passu in all respects; and

(b) issued share capital of R9 280 050,00 consisting of 6 540 183 ordinary par value shares of R1,00 each and 2 539 857 preferred ordinary par value shares of R1,00 each and its share premium account of R242 707 272,87 into stated capital of R251 987 322,87 constituted by 6 540 183 ordinary no par value shares ranking pari passu in all respects and 2 639 867 preferred ordinary no par value shares ranking pari passu

### SPECIAL RESOLUTION NUMBER 7

"Resolved that, subject to the passing and registration of special resolution number it to be proposed at the general meeting convened to consider this special resolution number 7, paragraph 5 of the company's memorandum of association be amended to read as follows:

5. The authorised share capital of the company is divided into 50 000 316ordinary no par value shares and 2 999 867 preferred ordinary no par value shares."

### SPECIAL RESOLUTION NUMBER 8

"Resolved that, subject to the passing and registration of special resolution number 7 to be proposed at the general meeting to consider this special resolution number 8, the directors of the company be and they are hereby

 up to 2 840 000 ordinary no par value shares to the holders of the 2 640 000 options to subscribe for one ordinary share in the capital of the company per option on or before 31 December 1999 at R30,00 per share;

up to 2.767 087 ordinary no par value shares to the holders of up to 2.767 087 'A' share options to be issued pursuant to the agreement referred to in ordinary resolution number 1 to be proposed at the general meeting to consider this special resolution number 8, which 'A' share options entitle the holders thereof to subscribe for one ordinary share in the capital of the company per option on or before 31 March 2000 at R55,00 per shar

up to 900 000 ordinary no par value shares to participants of the Durban Roodepoort Deep (1996) Share Option Scheme on the dates and at the varying prices at which the options are exercisable in terms of the Share Option Scheme.

at a price lower than the amount arrived at by dividing the stated capital of the spany by the number of shares in issue.

ORDINARY RESOLUTION NUMBER 1

Resolved that, subject to the passing and registration of special resolution number 8 to be proposed at the general meeting to consider this ordinary resolution number 1, the agreement dated 9 May 1995 between the company, Consolidated Winning Corporation Limited ("CMC"), West Witwateranand Gold Holdings Limited ("West Wits"), Consolidated Mining Management Services Limited ("CMMS") and Randgold & Exploration Company Limited as amended by agreement between the parties pursuent to the addenda signed on 24 June 1996 and 17 July 1995 ("the addenda") in terms of which, inter alla, the company with effect from 1 April 1996:

has undertaken to offer to acquire all the ordinary shares, preferred ordinary has undertaken to offer to acquire all the ordinary shares, preferred ordinary shares and share options in the share capital of West Wits on the basis of one ordinary shares and 'A' share option in the company ("linked unit") for each 100 West Wits ordinary shares, six linked units for each 100 West Wits preferred ordinary shares and one linked unit for each 200 West Wits share options, which will result in, if the offers are accepted by all West Wits shareholders and option holders, the issue of 1 848 087 new ordinary shares and 1 846 087 share options in the company;

will acquire CMC's claim of P35 000 000 on loan account against West Wits

will acquire the entire issued share capital of and shareholders' claims on loan account against East Champ d'Or Gold Mine Limited from CMMS in exchange for the issue of 73 700 new ordinary shares in the company; and

will take cession of the management agreement between West Wits and

copies of which agreement and addends were tabled at this meeting and signed by the chairman for the purposes of identification, be and they are hereby ratified and approved, and that any director of the company be and is hereby authorised to do all such things and sign all such documents as may be

#### ORDINARY RESOLUTION NUMBER 2

"Received that, subject to the passing of ordinary resolution number 1 to be proposed at the general meeting convened to consider this ordinary resolution number 2 and to the provisions of the Act and to the listings requirements of the

up to 2,840,787 ordinary no par value shares in the authorised but unissue share capital of the company, with the power to allot and issue them in terms of the agreement and the addenda referred to in ordinary resolution number 1 proposed at the general meeting convened to consider this

up to 2767 067 ordinary no par value shares in the authorised but uni share capital of the company be and are hereby placed under the control of the directors of the company, with the power to allot and issue them to the holders of 'A' share options to be granted by the company in terms of the agreement and the addenda referred to in ordinary resolution number 1 proposed at the general meeting convened to consider this resolution, the terms and conditions attaching to which 'A' shere options were tabled at this meeting and signed by the chairman for the purposes of Identification; and

the remaining ordinary no par value shares in the authorised but unissued share capital of the company, which will include any shares which are the subject of all options granted by the company but in respect of which such options are not exercised, be and are hereby placed under the control of the directors of the company for allotment and issue at their discretion, as e general authority in terms of section 221 of the Act."

#### **REASONS AND EFFECTS OF SPECIAL RESOLUTIONS**

The reasons for proposing the special resolutions ere to increase and alter the company's authorised share capital for purposes of implementing the agreement referred to in the circular accompanying this notice of general meeting ("the circular").

special resolution number 1 is to convert 433 600 ordinary par value shares of into 433 600 'A' ordinary par value shares of R1,00 each;

special resolution number 2 is to amend the company's existing articles of association to incorporate the rights attaching to the 'A' ordinary par value shares

special resolution number 3 is to amend the company's articles of association in order to provide that the voting rights attaching to the company's shares are subject to the provisions of section 195 of the Act where the par value of each

special resolution number 4 is to sub-divide the 'A' ordinary par value share: ising on the conversion in terms of special resolution number 1 on a 100-for-1 basis into 43 360 000 'A' ordinary par value shares of 1 cent each;

- special resolution number 5 is to diminish the authorised share capital of the company by the cancellation of 7 926 217 authorised but unissued ordinary par value shares of R1.00 each:

special resolution number 6 is to convert the company's authorised and Issued ordinary par value shares and 'A' ordinary par value shares into ordinary no par value shares ranking pari passu in all respects and its authorised and issued preferred ordinary par value shares accordingly of R1,00 each into preferred

special resolution number 7 is to amend paragraph 5 of the company's memorandum of association to reflect the new authorised share capital of the company pursuant to the terms of special resolution numbers 1 to 6; and

 special resolution number 6 is set out in the report of the directors given below in terms of section 82(2) of the Act.

### The terms of the special resolutions appear from the resolutions themselves.

REPORT OF THE DIRECTORS IN TERMS OF SECTION 82(2) OF THE ACT The reason for epecial resolution number 8 is to authorise the directors of the company to timeously issue ordinary no par value shares pursuant to the exercise of the chare options granted by the company where the subscription price of the ordinary shares issued in terms of the options exercised is less than the amount arrived at by dividing the stated capital of the company by the number of ordinary no par value shares in issue, at the time of such allotment which authority will enable the

On a show of hands every shareholder present in person or by proxy or represented On a show of ready shareholder present in person of by proxy of ten-bolider present in person of by proxy or ten-bolider present in person of by proxy or so represented shall have one vote for every ordinary or preferred ordinary share held by such shareholder.

A holder of a share warrant to bearer who desires to attend or be repregeneral meeting must produce his share warrant or a certificate of his holding from a banker or he must produce his share warrant et the office of the French agents, in both cases at least five clear normal business days before the date appointed for the holding of the general meeting, and shall otherwise comply with the conditions poverning share warrants" currently in force. Thereupon a proxy or an attendance form under which such share warrant holder may be represented at the meeting will

A shareholder entitled to attend and vote at the general meeting may appoint one or more proxies to attend, speak and vote in fleu of such member. The proxy so appointed need not be a shareholder of the company. Proxy forms, for use by shareholders are attached to this notice. Duly completed proxy forms must be lodged with the transfer secretaries of the company, Optimum Registrars (Portietary) Limited, 4th Floor, Edure House, 40 Commissioner Street, Johannesburg 2001 (PO Box 82391, Marshalltown 2107) in South Africa or Bandays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU in the United Kingdom by not later than 14:00 (South African time) on Monday, 2 September 1998.

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**DURBAN ROODEPOORT DEEP, LIMITED** 

Per: D J Haddon Randgold & Exploration Company Limited Secretaries

## 8 August 1996

Registered office and postal address 5 Press Avenue Johannesburg 2025 (PO Box 82291, Southdale 2135)

Transfer secretaries

In South Africa Optimum Registrars (Proprietary) Limited Floor, Edura House Johannesburg 2001 (PO Box 62391, Marshalf

in the United Kingdom Barciays Registrars Bourne House 34 Beckenham Road

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Richard Londo

### British government backs Lloyd's of London by intervening in US case

## Rebels seek extra time in court challenge

and Jim Kelly

Rebel investors at Lloyd's of London seeking a judicial review of the market's recovery plan are today expected to ask for an adjournment at the High Court following difficulties in securing full funding for the legal action. Lloyd's is confident it can head off the challenge, one of the last obstacles to securing the insurance market's future, and is expected to

ernment has backed the Lloyd's plan by intervening in a US court case brought by rebel Names - the individuals whose assets have traditionally supported the Lloyd's insurance market.

US Names from sevsral states are seeking to block tbe recovery plan in Virginia. The UK government has said in a legal submission to the court that the plan is the best practical solution to the market's

Today's hearing in the not and are now having group had already covered High Court in London comes less than three weeks before the August 28 deadline for lossmaking and litigating Names to accept a £3.2bn (\$4.96bn) out-of-court settlement which underpins the

recovery plan. The judicial review case has been brought by ths 3.000-strong Paying Names' Action Group, representing those who have paid their bills and helieve they are being disadvantaged compared with those who did time. Mr Abramson said the

debts written off. The hearing was expected to last three days with judg-

ment soon afterwards. Yesterday Mr John Abramson, for the group'a solicitors Warner Cranston, said the group had money pledged for the action. "But physically all the funds have

the committee." he added. The group blames the funding situation on postal strikes, bolidays, and lack of

not arrived on the desks of

most of the costs. Mr Simon Morgan, speak-

ing for the group, said: "Ths action is likely to be delayed by a day or so. It has not been abandoned. Funds are now coming through in considerable volume." The group's strategy is

seen as high-risk by some at Lloyd's because of the danger that success for the rebel Names could lead to the entire recovery plan collapsing - to the detriment of all

duce a satisfactory out-come." The case is likely to be heard soon.

#### court was told by the UK government that the Department of Trade and Industry "has satisfied itself that the [recovery] proposals offer the most likely means of achieving a successful solution to the problem posed by the possible insolvency of Lloyd's Names. The department has been unable to identify any other method of proceeding which could pro-

UK NEWS DIGEST

## Warning over on-line shopping

Efforts to develop electronic shopping are "floundering" for want of "much-needed impetus" to maximise its poten tial, Verdict, the retail consultancy, warns. "Electronic shopping will have no impact in the next five years and a minimal impact in the next 10 years," according to Mr Richard Perks, Verdict's senior retail analyst.

Verdict reports that on-line services are "unfriendly, cumbersome, painfully slow and inconvenient", and notes they have not been enthusiastically received by consumers. It says that Argos, the catalogue group, sold just 22 items on Barclaysquare, the UK's first "virtual" high street, in the first nine months of its operation.

The consultancy predicts that the UK electronic sbopping market will rise from £42m to £55m this year but remain a fraction of the overall £5bn home shopping market and retail sales of £160bn.

Verdict is also bleak about the prospects for the broader bome shopping market, including mail order. It notes that sales fell 2 per cent by value last year to £7.3bn - the first fall the market has seen since 1984. It says: "The direct mail order sector remains the most promising form of home shopping to provide growth into the next century. However, we believe it will have to become ever more sophisticated if it is to win the battle with shops for its share of retail sales. Christopher Brown-Verdict, 112 High Holborn, London WCIV 6JS. £795. Christopher Brow

#### **■ REDUNDANCIES**

#### Job cuts 'harming businesses'

Redundancies leading to a decrease in the number of older, more experienced workers are harming UK businesses, according to two studies. As soon as redundancies are announced, workers who are keeping their jobs suffer a loss of motivation, a decline in morale and a decrease in productivity, says the Institute of Personnel and Development, which has issued a guide advising employers how to avoid the negative effect of job cuts.

Ms Angela Baron, institute policy adviser and author of the guide, says companies should integrate personnel management more thoroughly into their strategic plans to minimise the potential impact of future redundancies and increase alternative opportunities within the husiness for employees whose jobs disappear.

The IPD report is supported by a study from Roffey Park Management Institute, which says companies should be careful not to waste too much collective corporats experience in singling out older workers for redundancy. The widespread policy of replacing older and often more expensive employees is starting to leave holes in busi-

nesses, it says.

The IPD guide on redundancy, IPD House, Camp Roo Wimbledon, SW19 4UX. ES.50. Audit Tool, A Strategy for Survival in the 21st century. The Employers Forum on Age. Astral House, 1268 London Road, London SW16 4ER.

#### **ECONOMY**

### Property market upturn reported

Fresh indications of the brightening UK economic outlook emerge today with reports of an upturn in the property market - triggered partly by better consumer spending. A report from the Royal Institute of Chartered Surveyors shows growing optimism in the commercial property man ket and a shortage of shopping sites.

Meanwhile, a survey by DHL, the express carrier, reports that British exporters are more confident about long term prospects. And the Chartered Institute of Marketing's latest quarterly report says the recent rise in consumer purchases is "a clear sign that consumer confidence is returning." Taken together, these surveys hint that the economy is set to pick up steadily in the run up to the next general election.

Many commentators think there will be a further boost from tax cuts in the Budget in November. Professor Douglas McWilliams, economist for the CIM, forecasts that income tax will be cut by 2p. However, consumer spending is likely to be fuelled by other factors: wages, for before any tax cuts, these factors have left retail property

### Deal on intermediary banking

The Royal Bank of Scotland has launched a computer-based service that will enable life assurance companies or other financial intermediaries to provide banking facilities to their customers without having to obtain their own banking licence.

vice to Friends Provident, the mutual life assurer, so it can launch its own deposit account for customers. The as the Prudential, have set about doing.

intermediary such as a solicitor or stockbroker, to operate client bank accounts with tailor-made cheque books bearing its own name as well as Royal Bank's. The intermediary can group deposits to attract money market rates of interest and pass these on to clients.

### **■ FASHION**

## Calvin Klein plans expansion

The move is part of Mr Klein's international expansion. Hs will open stores in Seoul, Hong Kong and Jakarta this autumn, and a store in Milan next spring. He is one of a number of international designers strengthening their presence in the UK. Donna Karan, of the US, will open a flagship store on London's Bond Street this autumn, and Gianni Versace, the Italian designer, is to open a second

## New blow for PFI as hospital plan postponed

Social Affairs Correspondent

The government's beleaguered private finance initiative has received a fresb blow.

Plans for a £90m (\$140m) hospital in the west of England are having to be revised due to funding problems and a study showing the project was unfeasible.

The rebuilding of the 520hed Princess Margaret hospital in Swindon, one of the health department's flagship PFI projects, has had to be indefinitely postponed while the contractors look for a new greenfield site.

The news is another sethack for the government which is trying to get at least one big PFI project under which private companies design, build, finance and operate the buildings up and running in the bealth sector before the Budget.

It follows reports that several hig contractors have pulled out of bealth projects because of the expense and bureaucracy involved in the bidding process.

The first big hospital scheme to receive treasury approval, a £40m project in South Buckinghamshire, was announced last November and was originally due to start construction in the spring.

Since then the Swindon project and two other deals worth more than £30m have also been given the go-ahead but because of financial and legal concerns no contracts the PFI design to its public sector predecessor, was to be built over four years allowing parts of the existing hos-

However, the combination of budget problems at Wiltshire health authority, the trust's chief funding agency, and a study revealing problems of access to the hospital have made the plan untena-

Company, the consortium

was that the original project was too ambitious given the health authority's inability to guarantee sufficiently high revenue streams. "The trust found that it

accordingly," he said.

deal said the main problem

and Tarmac has had to engineer the project down The Hospital Company said three alternative sites

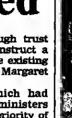
don and Marlborough trust had planned to construct a new hospital on the existing slte of the Princess Margaret

The project, which had been praised by ministers because of the superiority of pital to be used while con-

led by Tarmac which will build and manage the hospital, has been forced to look for an alternative greenfield site. The trust said the number of beds on the site would be reduced to 480 to help cut A banker involved in the

couldn't meet the cost of paying for a bospital along its original specifications

are under investigation and



struction was under way.

As a result, the Hospital

final selection should take



Gothic choice: British funeral directors' yesterday held a vehicle rally at the national motor museum, Beaulien, Hampshire

## Curbs urged on water chiefs' pay

By Leyla Boulton, Environment Correspondent

Ofwat, the water industry regulator, wants institutional investors to demand curbs on the salaries and compensation packages of privatised water company executives.

head of external relations, said: "What the customers think is important, and there is a lot of customer concern about these issues." She said asset managers, the water industry's biggest

investors, could have bebind-the-scenes discussions with water companies and vote against proposals

Mr Ian Byatt, Ofwat's incentive scheme, Thames director-general, last raised and South West's compensathe issue of executive pay and compensation at a meeting with analysts from institutions in January.

But Ms Plant said Ofwat had been disappointed by the response from institutions. "They are the only Ms Dilys Plant, Ofwat's people who can do anything about this," she said. "There nobody else to say whether these salaries are acceptable or not".

She welcomed protests at water company general meetings as a "start" but said institutional investors should "do more". In the past month, share-

tion packages for ontgoing executives, and Yorkshire Water's £120,000 salary for a part-time chairman who lives in Kent. But although Mr Byatt

fears the outcry against so-called "fat cats" is denting public faith in the regulatory system, he does not believe he should regulate remuneration; Deciding how much someone is worth takes you right into managing companies," Ms Plant

Ofwat is also investigating the possibility that companies may be investing less holdsrs have criticised money than planned.

gas industry executives

doubt that the Recs will

data submitted by water companies and management explanations for an apparent shortfall. Ofwat set companies' price limits for 10 years in 1994 but is expected to review these limits in 1999, in the light of companies profits and investment to

in October after scrutinising

Companies say it is too early to tell whether they

are living up to investment plans spanning five to - 10 years because spending levels vary from year to year. But Ofwat is more wary about companies assurances after Yorkshire Water ran out of supplies last summer because it had been underin-

venting the Recs from using their databases in ways they

are not registered for. But

Ofgas says it is prepared to

take the issue to the MMC if

there is no alternative way

Many observers believe

there are too few sanctions

to prevent Recs from using

the databases improperly.

The commercial advantage

of doing so outweighs any punishment," complained

one gas industry executive

of solving the problem.

developers in an upbeat mood.

III FINANCIAL SERVICES

The bank has already signed a deal to provide the ser-

deal saves Friends Provident the cost and complexity of winning its own hanking licence as other insurers, such The bank's service allows a life company, or another

### Calvin Klein, the US fashion designer, plans to expand

into the UK and Ireland by opening two London stores next year with eight other openings scheduled in large cities, including Manchester and Dublin, by summer 1998 The stores, to be owned and operated by Collection Holdings, a company controlled by Ms Tricia Earl, wife of Mr Robert Earl, founder of the Planet Hollywood restaurant chain, will sell the Calvin Klein fashion collection, ths cheaper Calvin Klein range and Calvin Klein Jeans.

## Job cuts feared over farm reforms

By Deborah Hargreaves

Reform of the EU's common agricultural policy, which began in 1992, will lead to the loss of 5,400 farming jobs, 3.7 per cent of the total, in England over five years. the Rural Development Commission says.

Its report estimates the total number of jobs directly affected could be closer to 8.000 because of part-time and seasonal working.

CAP reform which reduces farm support prices and pays farmers to leave part of their land idle could affect overall up to 156,000 jobs in ancillary industries such as agrochemicals and food processing, the report estimates. The loss of farm jobs is

concentrated in the east of

England where arable farm-

ing predominates. The large part of joh losses - some 70 per cent - is estimated to be in East Anglia, the east Midlands and the south-east. The agricultural joh reductions come on top of a longer term trend of falling employment in farming as the industry has become more mechanised and made more

use of agrochemicals. Farm employment has been falling at a rate of 2.7 per cent a

year over the past decade down to the equivalent of 274,000 full-time jobs. The report sets out a new way of estimating the employment effects of agricultural policy changes. Ms Margaret Clark, the commission's director of strategy. said she boped it would help "to inform the debate on different options for agricul-

tural policy". The Employment Impact of Changing Agricultural Policy, Rural Development Commission, 141 Castle Street, Salisbury SP1 3TP. £17.

## Electricity groups warned on gas supply

Ofgas, the gas industry regulator, may take the regional electricity companies to the Monopolies and Mergers Commission if they make improper use of their customer databases to carve out positions in the gas market now being opened to

competition. There is increasing concern at Ofgas that the Recs. which have done little to prepare for the planned

The creation of an electronic

datahase to monitor the

movements of Britain's 11.5m cattle could cost the

government hetween £3m

(\$4.65m)and £5m, according to a report revealed today.

The National Cattle Data-

base working party, an influ-ential group of farm and con-

sumer interests, will call on

the government to have all

movements of new-born cat-

1998, will have an unfair tic gas industry fear that advantage over other gas suppliers in serving residenbeen reinforced by a pilot project to test gas competition in the south-west, where Sweb, the local electricity company, is thought to have attracted more than half of the customers who have

hand the market over to the

sus with the aim of listing

all cattle on compoter by

the Florence heads of gov-

ernment summit to set up a

national database as part of

its commitment to tackling

hovine spongiform encepha-

The idea is that it would

offer a single point of access

The government agreed at

January 1998.

tle included on computer for many details on an ani-

records by the end of mal's history.

November. The rest of the national herd could be customsr-lsd. The message tracked by a nationwide cen-

switched from British Gas. "We don't want competition to mean that we just

regional duopolies could emerge with British Gas and tlal customers. This has the local Rec dominating the The Recs have entered the gas business at a time when

the electricity industry has been criticised for failing to take action to dismantle its regional monopolies. Offer, the industry regulator, last week reacted to government frustration at the slow pace of electricity reform and

consumer organisations in

the working party is that they want cattle traceability

and if we can't provide it.

they will go elsewhere for their supplies," said Mr Bill Madders, a Staffordshire

dairy farmer who chaired

ahout heef assurance

schemes included on the

The National Farmers'

the working party.

meet the 1998 target. The gas industry, in contrast, has made substantial progress. In the south-west half a million domestic consumers can already choose

their gas supplier. They will be joined by a further 1.5 million in southern England early next year. Ofgas officials are to meet representatives from the

Office of Fair Trading and opening of the electricity sitting tenant," said Ofgas, announced plans to push the the Data Protection Regis-

Electronic cattle tracking may cost £5m raised non-intensively and are grass-fed.

> tants are dos to complete their report in mid-Septemthe government to put the Union is keen to see details running of the database out

farms free from BSE and system of passports for all point to herds which are animals horn after July 1 providing a paper trail to follow the cattle around. In early August, the Minis-But Mr Madders says pass try of Agriculture appointed ports should be phased out

The working party wants

As an interim measure the

a team of consultants to do a as soon as a computer sysfeasibility study. The consultem is developed. The industry will have to introduce electronic ear tags for cattle

based on numbers which are easily recorded. Sales and purchases could be recorded at auctions, with abattoirs registering deaths. schemes included on the As an interim measure the Information could be avail-database. These would list government introduced a able on demand.

Officials play down minor disturbances after Protestant Apprentice Boys' parade in Londonderry

to competitive tender.

## Northern Ireland's weekend of parades passes peacefully

By John Murray Brown

Northern Ireland's weekend of parades ended peacefully yesterday, dispelling fears that it would be hit by the violence that has accompanied much of the sum-

mer marching season. Several thousand republicans, supported by bands from as far as Glasgow, paraded through the streets of Belfast to City Hall to mark the 25th anniversary of the introduction of internment detention without trial - in 1971.

In Londonderry last night, 18 people appeared in court charged in connection with disturbances early on Sunday morning, following the annual march of the Protestant Apprentice Boys through the centre of the largely Roman

Catholic city. The trouble was blamed on drunken yonths who defied the pleas of Sinn Fein officials calling for calm. There were also outbreaks of violence in two isolated Catbolic villages as Apprentice Boys returned from Saturday's Londonderry parade.

churchmen and local politicians played down the disturbances, highlighting the weekend's relative peace after earlier fears of possible clashes between Apprentice Boys and nationalist protes-

Mr John Hume, the SDLP leader and Londonderry MP, said: "It was a lesson that all parts of Northern Ireland should learn. "Dialogue is the only way for-

Mrs Mary Nelis, a Sinn Féin councillor, said: "It's a small tance of compromise, which could

Security officials, leading step, but I think it's a beginning."

> The optimism was endorsed by visiting deputies of the Irish parliament who watched events from Butcher's Gate, the point of access from the old city to the hardline republican area of the Boxside.

With the Apprentice Boys indicating they will continue to talk with Bogslde residents on future march plans, many residents hope that the weekend has established the impor-

all-party talks on the future of Ulster which reconvene on September 9.

Saturday's parade was attended by a larger-than-usual number of bands, and watched by a smallerthan-usual crowd - a measure of the tensions that had oversbadowed the event.

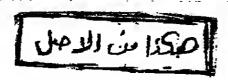
playing paramilitary insignia in a colourful and noisy display of protestant pageantry. Mr Hume expressed the wish

The procession included Protes-

tent churchmen and youths dis-

have a beneficial influence on the that parades will one day be little more contentions than a Mardi Gras in New Orleans. He said the behaviour of nationalists in the Bogside in staying at home on Saturday underlined that the vast bulk of the Catholic community did not seek confrontation.

included a representative of ... At the Belfast rally, speakers Noraid, the IRA's US fund-raising arm. Mr Gerry Adams, the Sinn Féin leadsr, sald the dispute "hasn't been about marches, it's about triumphalism and tramping over people's rights."



FINANCIAL TIMES MONDAY AUGUST 12 1996

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Morning Exercise Sun City Arizona 16 January 0900 hrs

## SOME SEE SENIOR CITIZENS. WE SEE A BOOM IN CONDO CONSTRUCTION, NEW BUSINESS START-UPS AND INCREASED DEMAND FOR THE WEATHER CHANNEL.

The demographics in many parts of the world are changing rapidly. And along with those changes come unexpected risks and opportunities for all kinds of industries. Fortunately, AIG is a business partner with expertise in managing total marketplace risk.

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Last night Ross Perot's Reform party beld the first act of its maiden gathering in Long Beach, where the Queen Mary is now berthed. Today the Republicans get under way here 100 miles down the California coast. home of a great naval base, but a bit

Next Sunday Perot Part II decamps to Valley Forge, Pennsylvania, where George Washington got the Continental Army into shape over the winter of 1777-78 to knock the socks off the

And two weeks from today the Democrats convene in Chicago they knocked the stuffing out of claimed as home (another, Maine, tions ain't what they used to be. years later, George McGovern trick with his unexpected choice

## Conventions ain't what they used to be each other.

It should not be assumed that conventions are only held in cities with militaristic or patriotic reputations. Favourite sites over the years have been New York and San Francisco, whose delights and perversions are more of the flesh and mind, and Miami. Fans of good barbecue are always attracted to Kansas City.

to New Orleans. Cities bid for the right to stage political conventions, because thousands of delegates and even more lobhyists and media have a habit of spending freely (though the hruising Atlanta has taken over the Olympics may give pause for thought).

and of food and music combined

Sometimes the selection reflects pure politics. Houston in 1992 was in one of the several for the first time since 1968, when states President George Bush

### DATELINE

San Diego: America's political

gatherings this year coincide with the month when the national mind is on the beach,

writes **Jurek Martin** 

is far too flinty and self-contained to want to accommodate the riffraff) while San Diego is an act of contrition for the Republican party for writing off the largest state four years ago. But, if truth be told, conven-

agree on a policy platform, but nominees are now selected in earlier primaries and platforms usually forgotten by all but the noisy

There is, therefore, no chance this month of a threat to the all-tims record set in 1924 at the old Madison Square Gardan in New York when it took the Democrats 17 days and 108 ballots to pick John W Davis of West Virginia, who then got walloped by the charismatically-challenged Calvin Coolidge.

Occasionally there has been a shadow of doubt over the nomi-In 1952 Dwight Elsenhower needed to win two important battles in the Republican credentials committee before beating Robert Taft on the second ballot. Twenty

Their prime purpose remains to had to go to the full Democratic of Spiro Agnew in 1968 and so did choose the presidential ticket and convention to fight for which delegates could and could not be seated.

These and other disputes of mind boggling technicality, including the contested vote for a vice-presidential candidate, eo stretched the proceedings that he accepted the nomination at prime evening viewing time only in Hawaii.

That was not an auspicious start to a campaign against Richard Nixon, whose own conven-tion, also in Miami Beach, was scripted down to the last nanosecond.

A favourite ploy to compensate nation going into a convention. for the absence of real suspense centres on the choice of a running mate, only resolved over the weekend by Bob Dole with the selection of Jack Kemp. Candidate Nixon pulled off this neat

ths "senator from Indiana" be was known to favour turned out to be not the respected greybeard Richard Lugar but the unher-

alded Dan Quayle. Conventions can still get a bit rowdy, as when Pat Buchanan declared "cultural and religious war" on all liberals in Houston

four years ago. But that incident, the result of mis-management by the Bush campaign, was a pale shadow of earlier spontaneous (or planned) uprisings, notably the Goldwater troops booing throughout Nelson Rockefeller's speech on the virtues of moderation at the 1964 Republican convention at the aptly named Cow Palace in San

Francisco. Chicago in 1968 was pure mayhem. Less wall remembered is the fact that both conventions in

Miami Beach in 1972 were marked by a fair amount of antiwar street violence. This was when your correspondent learned that picking up a tear gas canister on the bounce and throwing it away, though a feat of much dexterity, was also foolhardy for anybody with an average arm.

Occasionally, political reputations can be made at a convention, but the harbinger is unrelia-

Mario Cuomo delivered an immortal keynote speech to the Democrats in San Francisco in 1984 but never got beyond pondering running for president, while Bill Clinton droned on interminably in 1988 and look

where he is now. Still, the political lure is there. Even Marion Barry, the mayor of Washington, DC, is coming to San Diego, although the city, which has just been forced to close six more schools, probably cannot afford the airfare. He is not a Republican - at least not yet - but then neither, in the beginning, was Ronald Reagan.

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### In focus: John Carter, Commercial Union

## An unflappable strategist

tep out of the futuristic City headquarters of the street. Take the lift to the top of the taller hut much less pretentious huilding opposite. Enter the office of John Carter - and see a different view of the insurance world.

The chief executive of Commercial Union, one of the UK's biggroups, combining life assurance and general insurance, may have a far lower profile than his rivals at Lloyd's. Some insurance analysts believe he sees consistency and unflappability as the hallmarks of a solidly reliable finan-cial services provider. "CU has turned boring into part of the

corporate ethos, " says one. Yet CU - bigger than Lloyd's, measured by premium income -has carved a distinct strategy. It is not in the same league as Europe's biggest insurers: Germany's Allianz or Switzerland's Zurich Insurance. But as others bave etruggled over the past decade, CU has become among the most sure-footed in the UK.

The latest example of this trend came last week when, with little fanfare, Carter revealed that CU's Polish life operations. established only in 1992, had become the group's third largest producer of new annual premium life business in the first half of this year. More dramatically, CU Polska accounts for about 45 per cent of life assurance policies sold to individuals in Poland.

CU bas set expanding life operations internationally as a priority. Building on its Polisb success, it is considering similar ventures in Russia and the Czech Republic and possibly the Ukraine - territories eschewed by other western insurers because of political risks.

In Britain, CII has stuck to the other plank of its strategy; controlling tightly general insurance activities and playing the volatile



John Carter: epitomises CU's staid consistency

the past two years, for example, CU held firm, lost a lot of customers - hut continued to make a profit on the book.

When rivals Royal Insurance and Sun Alliance announced plans earlier this year to merge, leapfrogging to the top of the UK composite insurers' league table, CU saw no reason to change tack. Beforehand, Carter had played down the scope for economies of scale in insurance. Unlike banks there are no large high street networks to lop. Last week, Carter by character, epitomises CU's was still hinting strongly that if staid consistency. An Oxford

CU's strategy dates from the mld-1980s when Carter's predecessor. Tony Brend, became chief executive. Brend was credited with resolving many of the group's earlier US problems caused largely by exposure to "long tail" risks such as asbestos

underwriting cycle. As UK private motor rates tumbled over duced a succession of losses for the group and turned CU into the industry's fallen star.

Bnt Carter was closely involved in tha group's rejuvenation. He became a main-board director in 1987 and since 1989 has had responsibility for expanding international life busies. More importantly, he was part of the senior management triumvirate, also incloding Brend and Tony Wyand, then responsible for finance and investments.

Moreover, 58-year-old Carter, consolidation was the trend in mathematician, he joined the the UK. CU would stand aside. group in 1961, qualified as an actuary and has stuck with the group ever since, assuming the top joh from January 1994. Colleagues say he is approachable but unassuming, travelling to work on the Metropolitan Tube line from his home in John Betjeman'e Metroland, rather than

using the chief executive's car. In an early role, as general the early 1980s, he was credited with introducing a degree of pro-fessionalism unfamiliar to insurers brought up in a post-war atmosphere of sleepy bureaucracy. Mansgement information and performance monitoring were improved.

A more recent achievement was his role in CU's £1.5bn acquisition of French insurer Groupe Victoire two years ago. So far the deal, financed largely by a rights issue and increasing CU's exposure to the French property markst, bas weighed down the group's shares. But the longerterm aim was to boost CU's international amhitions, particularly

If the deal proves successful, much of the credit will be Tony Wyand's - Carter's dapper coleague who remains part of CU's executive team and is in charge of Groupe Victoire's integration. But CU insiders say Carter's role in the deal and overseeing the merger should not be under-

What will be his next movs? If another big acquisition is in the pipeline, it is likely to be overseas. Besides eastern Europe, Asia is a target, although lowcost start ups may be as good. CU is angling for a licence to operate in China, where its long-term consistency may yet mean it pips Royal & Sun Alliance for a chance to operate in the potentially vast Chinese market.

Meanwhile, Carter is spreading his influence. Last summer be became chairman of the Associaindustry's trade association. That has given him a role in chaping the debate on privatising the welfare state and on the future of tha London insurance market. It is unlikely to go to his head,

Ralph Atkins

### FT GUIDE TO

#### SPACE RESEARCH

What is the point of exploring space? It has brought us cheaper international telecommunications, satellite television, better weather forecasting, Teflon and Vslcro. (The last two were developed for the US space programme).

Did we need to go to all the way to the moon to Listen, all of us are in the gutter and more of us should be looking at the stars. People feel good when great things are achieved. Space travel is

There's a good idea. What about a Coca-Cola rocket or an AT&T shuttle? It's been thought of before but tried rarely. Per-

haps a rocket that exploded would do serious

like the Olympics without humidity or sponsor-

collateral damage to a nearby brand. So how much does space exploration cost? In the US, Nasa wants to spend \$13.8bn (£8.8bn) next year and the European Space Agency about 33hn. Those figures are just for one year. The official cost of Nasa's space station alone is about \$17bn, but the total by the tims it is ready in 2002 is likely to be more than double that. Japan,

Russia, China, India, Brazil and others all have

space programmes. On top of that there are pri-

vate sector efforts, mostly in telecommunications.

Why does it cost so much? Rockets take years to build. They are hand-made. Except for the Shuttle they are used once and thrown away. Giant fusl tanks generate controlled explosions to hoist tens of tonnes of metal to between 200 and many million of miles up. The electronics and mechanics in a satellite or probe are built to survive in the vacuum of space. They draw power from the sun with huge fold-out solar panels and beam information back home from wherever they are. Projects at Nasa alone include research into aeronautics, X-ray astronomy, life sciences and the international microgravity laboratory. It's cheap, really. The Apolio programme, which put men on the moon, cost \$25bn - more than \$100bn in today's money. President Ronald Reagan'e Star Wars space defence scheme would have cost about the same.

Are you saying that today's space programmes are a bargain?

The last men to walk on the moon were Eugene Cernan and Harrison (Jack) Schmitt, the crew of Apollo 17, in December 1972. Star Wars is just a 1970s blockbuster movie again. Since the glory days of the cold war, space agencies have had to learn something about cost control and hudgets.

There have been cutbacks at Nasa, and the planners know it is easier to persuade governments to pay for projects whose aims are close to home, such as weather and mapping, than to push back the final frontier.

But now they're going to spend trillions to send

some guys to Mars? Not quite yet. The discovery of what look like fossils in what seems to be Mars rock will rekindle interest in the red planet. Probes are due to be sent to Mars later this year to conduct experi-ments. What the scientists working on Mars rock really want is a probe to return with samples. That hasn't happened yet because of the difficulty and cost of getting something to Mars that is hig enough to take off again and return home.

Why is that so difficult? We did it with the moon First, it is a lot further. Even at their closest, Earth and Mars are 40m km apart. The moon is only 400,000 km away. Second, the gravitational pull on Mars is more than twice that of the moon's and there is an atmosphere to slow down a takeoff, too.

Sounds like getting there and back even without peopls is going to be extremely costly. A probe is planned for 2005, but Nasa would love to have more money before then for Mars research. The way to get it, it said last week, was to persuads people to write to their congres-

speople demanding that more money be put into If Mars is that difficult, is there any chance of going to the stars?

There are some earthbound experiments underway to try to detect planets orbiting other stars. It's not lack of money that's preventing trips, manned or otherwise. Stars are so far away it would take thousands of years to get there with today's technology. If the technology is improved, physics gets in the way, the theory of relativity says nothing can go faster than light, and light takes four years to get to the nearest star.

When will we be able to step into space ourselves, to see what the view's like from there? a belicopter that would fly to the edge of the atmosphere, where rockets would hlast it into near-space. Another: a Japanese/American partnership has unveiled plans for an orbiting boliday resort. Mod cons include artificial gravity. They want it to open by 2020.

Daniel Green

## Robert Chote • Economics Notebook

## Swiss pay for safe-haven status

Switzerland's predicament highlights doubts about the euro

Pity the Swiss. Their economy cent over the last five years, ucemployment has risen to record levels and economic activity is well below its potential. In the early 1990s Switzerland

endured its longest recession since the second world war and since then its recovery has been cruelly stifled by the strength of its currency. Even the Swiss National Bank says the Swiss franc is "massively overvalued".

Its frustration is understandable. The over-valuation in large part reflects fears among investors in Germany and elsewhere that the putative single European currency will be an inferior substitute for the tried and tested D-mark. With the German currency under threat of abolition, the Swiss franc is the obvious "safe baven". But do investors really need a

safe haven? The Maastricht treaty assures us that the European central bank will, like the Bundesbank, be independent of political control and dsvoted above all to the achievement of price stability. Germany insists it will have no truck with the 'euro" unless it promises to be at least as strong as the D-mark. Nonetheless, investors are

right to be warried. The people responsible for eetting interest rates in the ECB - the governors of the participating national central banks - may be free of political interference and devoted to their calling, but with the best will in the world they may be unable to achieve their aims: the biggest threat to price stability early in monetary union will be patterns of economic activity

cock-up, not conspiracy. Consider the practical task which the ECB will face. Like most central banks it will set short-term interest rates in order to safeguard price stability as hest it can. Changes in borrowing costs take time to affect economic activity and prices, so policy has to be set in a forward looking manner using formal or

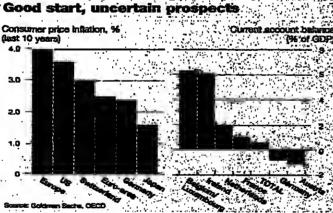
informal inflation targets. The experience of national central banks shows how difficult this is. In the UK the authorities target inflatioo directly, using a variety of economic indicators for guidance.

The pitfalls are numerous and familiar. Economic statistics are unreliable and subject to revision. The Bank of England, for example, recommended a rise in UK interest rates in May 1995 prompted by an estimate of strong economic growth which was subsequently halved.

Even if the statistics are reliable, oeither the relationships between them nor how they are affected by policy measures are set in stone. Changes in the degree of competition within an industry can, for example, affect the speed at which changes in raw material or import costs are passed on to consumers.

These problems make interest rate setting hazardous in a national economy, but they will turn it into little more than semi-educated guesswork in the

early years of monetary union. Even if the "euro-area" is confined to a relatively modest core this will be a large and diverse economy comprising different

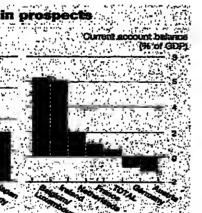


and consumer and husiness behaviour. It will take years for policymakers to develop a feel for the way in which their new vessel responds to a nudge on the policy tiller.

Lack of experience in setting the interest rate for this new economic entity makes the quality of euro-wide statistical information all the more important. The European Monetary Institute and Eurostat, the European statistical agency, are working hard, but their task is enormous. They have to reconcile incompatible definitions, methodologies

and collection systems. There are signs - for example in the construction of common inflation measures - that comprehensive coverage is being sac rificed in favour of a lowest common denominator approach in which too many price categories

will be omitted And this is noth ing compared



to the task of deriving a reliable, timely and consistent measure of sconomic activity across the euro-area.

Germany argues that euroarea inflation should be targeted via an intermediate money supply target. As Bundesbank president Hans Tietmeyer explained to an audience in South Africa earlier this year: "It would appear sensible to adopt tried and tested methods so as, perhaps, to inherit some of the credibility of those central banke which are particularly successful today. The monstary growth trend is a timely indicator of the emergence or abatement of infla-

tionary pressures." But the nature and timeliness of the relationship between "euro-M3" and euro-inflation may take years to discover.

The Bundesbank is anyway disingenuous in arguing that a money supply target would lend tus for a good while yet.

ing it in its own image.

The Bundeshank is covertly pragmatic. It enjoys credibility not hecauss it sticks to its money supply targets, but because its track record in achieving low inflation over many years reassures investors that it can safely ignore its own rules whenever common sense dic-

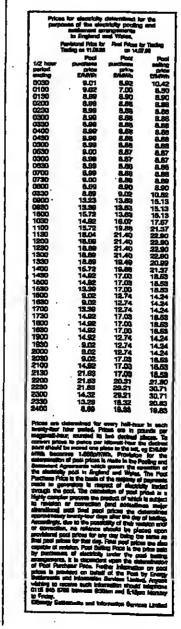
Getting the nitty-gritty of monetary policy right is a transitional problem. Interest rate setting should improve with prac-tice, but as Barry Eichengreen at Berkeley pointed out in a recent lecture, mistakes in tha early years may impose a heavy cost.

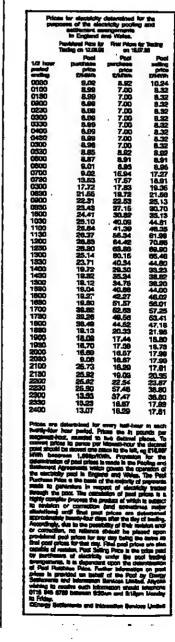
The ECB may begin its life in a virtuous equilibrium, with people taking its commitment to price stability on trust. But if a well-meaning policy

mistake were to push inflation above a certain level, then pres oure groups might well conclude that the ECB was not committed to price stability and start lohbying for expansionary policies With no track-record for the ECB to fall back on, this conclusion might easily prove self-fulfilling.

"With time, the ECB may acquire a reputation for pursu ing stable and desirable policies and may earn the respect of its constituents. A newly established central bank for which the commitment to price stability and insulstion from political pressures are not yet clearly established may never have a chance"

With this in mind, the Swiss franc may suffer safe-haven sta-







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**FINANCIAL TIMES** 

## **COMPANIES & MARKETS**

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LEGAL DEFINITIONS

proxy n. 1 place that was a cinema but has since been turned into a fast food outlet and bingo hall 2 document which gives someone the power to act on behalf of someone else.

see ROWE & MAW: asap (ph 0171-248 4282) Rowe & Man

INSIDE

Belgacom ...

Belgacom, the

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profits 15 per cent to BFr6.5bn (\$216.5m); Illegt results will be a lift for

AWYERS FOR BUSINESS

## **Pifco** turns up heat in kettle market

By David Blackwell

Pifco Holdings, the small UK electrical appliance maker, has beaten larger rivals such as Philips of the Netherlands and Moulinex of France to the market with a flat heating element for

The UK company will announce tomorrow that kettles using the flat element, which will be heavily patented, will be on sale from next month. The ele-ment uses three kilowatts of electricity, compared with the conventional 2.2kW, and is able to boil water almost

twice as quickly. "We helieve this is a world first, and we are at least six to 12 months shead of the competition," said Mr Michael Webber, chairman. Pifco will sell the plastic jug kettles at just under £40 for the cordless and £30 for the corded version under its preminm Russeil Hohbs

The element, at the bottom of the kettle, is printed in silver on to a layer of glass ceramic ink on a steel plate, and passed slowly through a furnace at varied

temperatures. It is then covered with another layer of glass ceramic ink. The manufacturing process is simple, consistent and reliable," said Mr Webber. "It is the design of the printed element that is quite complicated, and the prece-

dures in the furnace are

very sophisticated." The group's medium-turn aim is to make up to 10,000 kettles a week. But Mr Web-ber believes the flat demant technology will be in the



Contract the Section

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Jamie fer

Pifco's flat element kettle

greater demand as its use widens to other appliances. The design has been in development for more than two years. Mr Webber will admit only to an investment

cost "in seven figures". The negrest rival appears to be Deeman, based in Winsford, Cheshire, which is planning a plant to make flat heating elements using techniques borrowed from powder metallurgy and high-tech steelmaking. The company has recently won a £500,600 (\$780,000) investment from 3i, the UK venture capital group, but last week Mr Jeffery Boardman. technical director, said it would be a year before ketties using his technology would be in shops.

Pifco will announce annual results tomorrow. Analysts are expecting pretax profits of about 23m, up from £2.65m for the year to April 30 1995, when sales were £38.8m.

Belgacom

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COMPANIES IN THIS ISSUE

## BP wants to speed up Mobil alliance

By Robert Corzine in London

two will merge completely. the two oil groups' refining and marketing assets in Europe received . the

that all individual country partnerships will be in place British Petroleum wants to, by the end of next year. But senior BP executives want to accelerate the process to see how effectively the two

> No new deadline has been completed within a year. They conceded that accelerating the process could cause problems. But said

> they were willing to risk

ability of the two corporate cultures to work together. BP and Mobil are in the forefront of industry, trends such as cost-cutting and restructuring. Both are near

Extensive planning has was announced in February. identified. But the two sides have had to await EU approval and country approval in some non-EU

Under the arrangement, BP will focus on the fuels rebranded in BP's green and yellow livery, although they will feature a combined BP/

tion about whether the two companies might embark on

issue . (\$2.7bm) jumbo bond is ry seven German states basis points more than.

Skynet, the UK satellite. has put on hold its trading in its shares from

Fund Management

in house company analysts who work for foud managers that pun shares may only earn h or a third as much as their sought atter counterparts employed by stockbrokers. But they gating to muniter and clout. Page 20. Funds more bullish on UK, Page 20

Global Investor

The rise and partial fall of the high technology sector. have diverted attention. from a more everyday truth - investors are highly sensitive at the moment to individual economies' prospects of stable, surprise irce growth. Page 22

speed up the planned merger of much of its European downstream assets with those of the US's Mobil, in a

go-ahead from the European

Commission last week. The

groups can operate under

the top of the industry for

judge performance. taken place since the merger

and candidates to fill the

marketing of fuel products. Mobil will concentrate on Inbricants, and have a 51 per

Of the handful of large US

banks with ambitions to

securities businesses, only

J.P. Morgan has made real

headway in breaking into

Wall Street'e traditionally

closed markets. That leaves

at least three - Chase Man-

hattan, BankAmerica and

cent stake in that sector.

Mobil logo. The combined company is expected to have about 12 per cent of the market in Europe, which will put it alongside Exxon of the US and Royal Dutch/Shell.

mies of scale and the elimination of overlaps. The partnership is expected to result in annual cost savings tions will be affected by the of \$400m-\$500m by 1998.

a broader combination, which would result in a company similar in size to Royal Dutch/Shell and Exxon, the panies. No decision has been made say executives. The performance of the European downstream merger over the next year will be a big factor in determining whether a more ambitious combination is warranted. Lex. Page 18

Telecom, which own a 49.9 per cent stake. Page 21

Länder bond

Pricing will today take (Länder). It will run for 10. years and carry a 6.25 per cent coupon, yielding by the comparable government bond: Page 21; Bond markets,

Skynet

vehicle tracking group, intention to transfer Ofex to Aim today. Thepostponement follows: news of an informal review" of dealings in Skynet shares by the Securities and Futures Anthority.

#### move that will rekindle specreturn on capital employed, the key measure by which side of the combined busiulation about whether the nese, with a 70 per cent-interest in the refining and set, but some executives the hig integrated oil groups About 8,000 jobs are expec-The \$5bn deal to combine believe the merger could be ted to go as a result of econo-

## US commercial banks are awaiting a rule-change that could spark links with stockbrokers Talk of mergers is in the air

about to go off nonethe-

The prospect of mergers between commercial banks and stockbrokers in the US will become more likely if the Federal Reserve moves ahead with a proposal to loosen the restrictions on banks' ability to trade and nnderwrite ehares and bonds, according to US

merger advisers and banking

industry lawyers.

The result may be only a faint echo of London's Big Bang reforms of the mid-1980s, which touched off a rush among banks to buy London's leading brokers. But it could, nevertheless, lead to a round of smaller deals which together lift the standing of some of the commercial banks - both American and European - that want to play a more prominent role in the world's big-

gest capital markets. According to one US dealmaker, who refused to be named: "Everyone's going to have a look. It's too an important an opportunity (to

mint."

The event trippering this result of interest was the Pal's substitutement at the end of July that it was considering easing the restricoperations, which must be carried out through separate companies known as Section 20 subsidiaries.

Since 1989, these subsidiaries have been allowed to generate only 10 per cent of their revenues from what are known as ineligible activities - essentially underwriting securities

t may he a muted issues and trading corporate starting gun, but it is bonds and equities. Now, in a proposal which is open for comment until the end of September, the Fed is proposing to lift the revenue

ceiling to 25 per cent. Under that higher limit, even some of the biggest US stockbrokers could, in theory, be brought under the wing of a commercial bank, a Federal Reserve official comments. And although few expect that to happen, there ie likely to be a renewed round of informal talks involving some of the smaller stockbrokers which have been the subject of interest from banks in the

These firms are known collectively as the Major Bracket, a term intended to distinguish them from the Bulge Bracket group of half a dozen or so firms which dominate the US securities underwriting and merger advisory business. Some of its members - including Donaldson Lufkin & Jenrette and Oppenheimer. - have

merger approaches before. If deals are to follow, they may be more likely to come from European banks than from the Americans. As one New York merger adviser points out, the three biggest Swiss banking groups (UBS, Swiss Bank Corp and Cradit Suisse) and the two biggest German institutions (Deutsche and Dresdner) have used acquisitions to build their investment banking businesses in London. The same is true of Barclays and NatWest of the UK, which have expressed interest in

presence in US capital mar-ing into London's stock market at the time of Big Bang.

Even under the Fed's current restrictions, some Europeans have already set about making acquisitions. ABN Amro, which has a commanding share of the banking market in and around Chicago, recently agreed to buy Chicago Corp, one of the Windy City's biggest regional brokers. NatWest, having shed its US retail bank, has bought a merger advisory boutique and a big trader of government bonds (a husiness in which banks are not restricted).

thers have positioned themselves to make further purchases, if necessary, Both Deutsche Bank and Swiss Bank Corp recently switched the regulatory status of their securities businesses, opting to set up Section 20 subsidiaries. Their previous, operations were not permitted to expand through acqui-

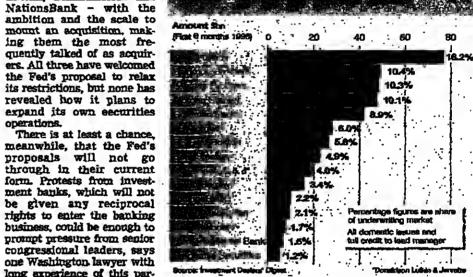
SBC made the switch to be been on the receiving end of able to absorb O'Connor, a one Washington lawyer with derivatives trader, while Deutsche wanted to integrate' Morgan Grenfell's US operations.

> Among many homogrown banks, on the other hand. the appetite for hig acquisitions in the securities and investment banking business has waned. The ranks of the traditional money centre banks have thinned through merger. Others, including Citicorp, have explicitly set their faces against trying to take on the big investment banks. The memory still lingers of the losses suffered from ventur-

ers. All three have welcomed the Fed's proposal to relax its restrictions, but none has revealed how it plans to expand its own eccurities operations. There is at least a chance. meanwhile, that the Fed's proposals will not go through in their current form. Protests from investment banks, which will not be given any reciprocal rights to enter the banking business, could be enough to prompt pressure from senior congressional leaders, says

long experience of this particular turf war. The banking industry most fears the resction of Mr Alfonse D'Amato, chairman of the Senate's banking committee. who remained studiously uncommitted during a failed attempt to get a banking reform bill through Congress earlier this year.

It is also the case that the Fed's changes, if adopted, would not give banks the sort of flexibility most say they want to be able to run a combined lending and securities husiness. The Fed has proposed three relaxations to



the so-called "firewalls" that separate banking and securities subsidiaries, letting them sell assets to each other and share executives. That is a far cry from the European model of universal banking so envied in many US bank boardrooms.

"The Europeans have shown you can conduct it [investment and commercial banking) in a single entity," says one bank's senior legal officer in New York. "With proper controls, there is no reason why a bank here

could not be like a universal bank in Switzerland or Germany." However, no one expects a policy shift of this magnitude in the foreseeable Despite this, the Fed's pro-

posals would still represent big step towards opening np securities markets to commercial banks. Against that background, it eeems likely that talk of mergers will be in the air this

**Richard Waters** 

## Inspec share scheme under fire

By William Lewis in London

The proposal by Inspec, the former BP Chemicals company, to allow directors and staff to turn their rights isme share entitlements into share options is being questioned by institutional share-

holders. The proposal, which could affect up to 8 per cent of Inspec'a shares, was last week described by one institutional investor as "very odd and not the sort of thing that should be encouraged". Inspec said last week it had been contacted by the Association of British Insurers to

explain the scheme. The group is seeking authorisation at an extraordinary general meeting on August 21 to lend money to a trust, Musley Limited,

employee ehareholders' rights issue shares. The company will be reimbursed when employees exercise their options or the shares are sold into the market. At the meeting Inspec

buying their way to a bigger

wants shareholders to approve its £200.5m (\$311m) acquisition of Shell's Fine Chemicals arm and to approve the enlargement of the share capital to accommodate a 1-for-2 £101.5m rights issue. As part of the issue, inspec wants approval for a new employee share scheme and for an amendment to its. 1995 share scheme to allow participants to be granted options over the same number of rights issue shares as their scheme

antitlement.

which will subscribe for 13 per cent of Inspec, and staff, with about 2 per cent, may exercise the options over the next three years if earnings per share grow at least 10 per cent a year. Certain members of employee shareholders' families will also be able to participate.

"It enables companies with fairly high employee and director share ownership to benefit from driving the company forward when they are not in a position to raise the cash to participate in the rights issue," Mr Gary Corsi, finance director and company secretary, said. Institutional shareholders

argue that employee share-holders should sell their right to participate in the issue into the market rather ntitisment. than he granted share Directors, who own about options. Manifest, the proxy

EGM report: "Could it possibly be in the interests of all shareholders that employees of the company and certain members of their immediate families should be entitled to benefit from the rights issue in a risk-free manner such as this, whilst non-employee shareholders who opt to take np their rights have no choice but to bear the consequent risk?"

voting agency, asks in its

However, Pirc, the corporate governance consultancy, is advising its institutional clients to vote for the proposal. "The proposed new spread employee participation in the success of the company through ownership of its shares," Pirc'e EGM report says.

## Financing expertise in the **US Capital Markets**

**Aames Capital** Corporation US \$300,035,000 Annes Mortgage Trust 1996-B retgegt Pass-Through Co. Santas 1996-3

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Aames Financial Corporation

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**Aames Financial** 

**AAMES Aames Capital** Corporation US \$281,000,000 sidual, Hedge and Bridge Financing

NatWest Markets' structuring expertise and placement power enabled us to raise over US \$1 billion of financing for Aames through diverse opportunities in different markets. We deliver strategic solutions with



## Sainsbury starts to reap the reward of loyalty card

helped by the June launch of its loyalty card. Its market share has risen progressively from 20.1 per cent in May to 20.6 per cent in June and 21.1 per cent in

retail analyst at Charter-house Tilney, said: "The company looks like it's got through the worst. The market share figures are quite encouraging. There's evidence that they are starting

access down to the launch of its loyalty card. It has 5.5m cardholders, and is

of 100,000 a week. It says it is ahead of its target to have 7m cardholders by the end of the year. The Reward card has been extremely successful and has had the desired effect on our market share," the group said.
The success is not without

chairman, last year derided loyalty cards as "electronic

### By Chris Brown-Hurses in London years and is felt to have lagged behind its more innovative and dynamic rivals. J. Sainsbury, the super-market group, has begun to rebuild its market position. Some analysts believe it is the start of a wider recovery at the group following management changes and investents. Mr Bill Currie, food, irony. Mr David Sainsbury,

July, according to Audits of Great Britain (AGS). Tesco, its main rival, has cent in July, although it and stores looking better."

The trend is a store of the The trend is a welcome development for Sainsbury which last year suffered its first fall in profits for 22 THE PROPERTY OF THE PARTY OF TH

Green Shield stamps". Tesco and Safeway launched nationwide loyalty cards before Sainsbury. The group has a long way to go to get beck to the situation in January 1995 - a month before Tesco launched its loyalty card - when Sainsbury had 22.2 per cent of the market adding members at the rate and Tesco had 20.8 per cent.

Skynet, a company set up to track vehicles by satellite. has put on hold its intentions to graduate from Ofex to Aim today.

The postponement follows the news, announced by the company yesterday, that at the end of last week the Securities and Futures Authority was undertaking "an informal review" of dealings in its shares in the two months between their introduction oo Ofex and their suspension at the beginning of August, pendiog their transfer to Aim.

Skynet said yesterday it was not aware of any reason for such a review". Since Skynet's shares began trading oo Ofex in early June, they have soared from an introduction price of

company had been trying to raise a net £2m (\$3.1m) in a placing which was to bave closed tomorrow. The placing, through broker Waters Lunniss, was priced at 250p.

The decision not to proceed with the move to Aim also comes amid possible challenges to the intellectual property rights to Skynet's technology. However the company said that "the receot spurious claims" had not influenced its decision. On August 6, Skynet was

granted a High Court injunction restraining Mr Anthony Mayes of Wilmslow Chesh-ire from casting doubt on its ownership of the intellectual property rights to key techoology. Mr Mayes had said Worldstream Enterprises, in which he had invested £12,000, had a claim to the intellectual property rights 27%p to the 275p at which sold to Skynet by Comware they were suspended. The ASB, a Danish company.

### **NEWS DIGEST**

## Norish makes coldstore sale

Norish, the Irish food distribution and refrigeration group, is selling its coldstore at Castlehlayney, Co Monaghan, to Molloy & Sherry for I£1.65m (\$2.68m) cash. Following the disposal, Norish will pay 1£3,000 for a 30 per cent stake in Lochmeen, a Molloy & Sherry group company which will take over the operation. Norish will use the net proceeds of £1.55m to reduce borrowings.

### Fiscal Properties acquisition

Fiscal Properties has agreed to pay Doncaster 2000 £6.03m for a new 57,797 sq ft office property in Doncaster. It is let to the Department of the Environment for 25 years from July 1996 subject to upward-only rent reviews evry five years. The present annual rent receivable is £557,799

### Crown Products double buy

Crown Products, the expanding Aim-listed toy and stationery group, has made two acquisitions to strengthen its range of indoor and outdoor play equipment and furniture. In two earn-out deals, it has acquired Snakes and Ladders, which manages playgrounds, and Yorkshire Playgrounds, which installs themed leisure facilities.

## **Funds** more bullish on UK

By Phillip Coggan, Markets Editor

managere are becoming more optimistic about the UK stock market but are reducing their purchases in the Pacific basin and Japan, according to the latest Merrill Lynch/Gallup

Throughout this year, the survey has shown that UK investment institutions have been net sellers of the domestic market. That trend continues, but the net balance of sellers over buyers has dropped to 3 percentage points, from 21 points in

Furthermore, the balance of managers who believe that UK share prices will be higher in 12 months' time has risen to 32 percentage points, from 20 points in

The UK market has struggled thronghout 1996. despite a number of takeover bids and share buybacks which have returned cash to investors; political worries have been one of the main factors holding the market back.

The survey shows that 95 per cent of the fund managers questioned expect the Labour party to win the next election, up from 92 per cent in July. And 81 per cent of investors think that base rates will rise over the next 12 months, a considerable increase on July's 64 per

However, for the first time in several months, most fund managers are not expecting to increase their cash holdings, which shows that their cantion may be

fading. Institutional investors continue to be net sellers of US equities and buyers of Europe, Japan and the Pacific Basin. But their enthuslasm for Far Eastern stock markets is dwindling, with the balance of buyers dropping to 7 percentage points from 21 points in

## Anger at £4m Kepit termination fee By Roger Taylor weak performance under the

Investment managers bldding to take cootrol of the Kleinwort European Privatisation Trust (Kepit) are furious at having to pay a £4m (\$6.3m) fee to Kleinwort Benson. At least two managers have decided against putting in an offer for the fund, in part because of this.

Kepit, a £500m investment trust managed by Kleinwort Benson, is inviting invest-This follows two years of high costs.

management of Kleinwort director of Invesco's invest-Benson, which prompted a hostile bid from rival investment trust TR European Growth.

But any company trying to take over the trust will have to deal with the £4m fee due to Kleinwort Benson for having its management contract terminated.

Invesco, which manages its own very successful European investment trust ment managers to make has decided not to put in a offers to take over the fund. bid for Kepit because of the

ment trust division said: "A lot of companies are bidding for this fund. A major element will be the willingness of companies to pay Kleinwort Benson's compensation fee. We have to ask our-

the likely return which had previously consid-

selves is this a sensible use

Ms Sarah Bates, managing reluctance to pay the high costs involved.

Deutsche Morgan Grenfell is the only company, apart from TR European Growth. so far known to have made a firm commitment to hid for the fund. Nine other companies, including Fidelity and Flemings, have expressed

of that amount of money for It is standard practice for Singer & Friedlander, a new manager taking over an investment trust to buy ered making a hostile bid for out the previous manager's Kepit, has also decided not contract. This can be a great to make an offer for the fund disincentive to change fund require shareholders to now. One reason is said to be managers. Contracte are approve them in future.

usually for between one and three years, and fees are between 0.5 and 1.5 per cent a year of the fund.

Kleinwort's fee gives it a gam cost advantage. Anyone bidding for the fund will have to show it can offer a shareholders a choice of either cash or a continuing investment fund at the mintmum possible cost.

The stock exchange is reviewing the award of investment management contracts by funds, and may

## Soccer's financial big league

Poorer clubs fail to win promotion, writes Patrick Harverson

Football finances: cash flows 1994-95

League aseociation football clubs and those in the lower three divisions has widened sharply, according to figures to be published today by Deloitte & Touche. the accountancy firm.

In its latest annual review of football finance. Deloitte reveals that while the combined operating profits of the 20 clubs of the Premiership grew from £40.8m in the 1993-94 season to £49m in 1994-95, the 72 clubs of the three Football League divieions saw their operating losses jump from £16.2m to

The deterioration in the results of Football League clubs - which in the past three financial years have incurred total losses of £48.4m - is hlamed primarily on the fall in transfer income paid by the Premier League to smaller clubs.

In 1994-95 transfer income to the lower divisions totalled just £9.5m, down 27 per cent from the £13m received by the smaller clubs the previous year. The situation has worsened particularly for the very smallest clubs, with a mere £700,000 received in transfer income by the bottom two divisions in the 1994-95 season compared with £7m and £4m in the previous two season. Mr Gerry Boon, head of

the Deloitte football industry

the deteriorating financial position of the lower divisions is threatening the existence of some smaller clubs in the professional game. "It's difficult to see how some clubs will survive in the long term," he says.

• HELP CHOP •

oggers have no quality about destroying

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World Wide Fund For Nature

have come to dominate the game in financial terms is revealed by Deloitte's review. It shows that the five biggest Premiership clubs -

between the top and lower divisions is making it increasingly hard for Division One clubs to earn promotion to the top flight and Mr Boon says: "With the

clubs in the Football League

The widening income gap

average Premier League club now having a turnover almost four times that of the average Division One club, it is difficult to see how even the larger Football League clubs are going to bridge the gap with the Premier League and sustain it."

However, Deloitte points out in its report that the financial performance of the top clubs is less impressive if transfer paymente are included in the figures. Including net transfer spending of £84m, Premier League cluhs recorded a pre-tax profit of only £6.3m in 1994-95, down from £12.8m a

Manchester United again topped the profitability table with pre-tax profits of £20m, despite failing to win the Premier League title for the There is a big drop to the

next most profitable clubs, Tottenham with £5m and Aston Villa £3.7m. Deloitte & Touche Annual Review of Football Finance. Manchester United, Newcas- £20, from Deloitte & Touche, tle United, Arsenal, Abbey Bouse, 74 Mosley Tottenham and Liverpool - Street, Manchester M60 2AT. The extent to which the have a combined turnover Free to clubs, football organiteam, says in the report that biggest clobs in football £10m greater than the 72 sations and students.

## Mayflower joins queue for Lotus

Mayflower, the UK engineering and automotive group, and TWR, the engineering and racing concern, are nuderstood to have joined a list of companies interested in buying Lotus, should the sports car and engineering consultancy become a financial write-off. writes John Griffiths.

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It is thought Mayflower and TWR have recently contacted former Lotus executives with inside knowledge of its financial position. Mr Romano Artioli. Lotus Italian owner, has etated it is lese acute than former finance director, Mr Neeraj Kapur, has said.

On Friday Mr Artioli. served a writ on Mr Kapur alleging he misappropriated company property and failed to act in Lotus' best interests. He also issued a statement saying Lotus had won new engineering contracts recently and that the future was "encouraging".

However General Motors, by far Lotus' biggest customer for the engineering services which provide most of its revenue, is understood to have already placed new

Potential buyers of Lotus' assets are thought to include Ricardo, the engineering consultancy, and a group of investors led by Mr Brian Henton, a former Grand Prix racing driver.

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## In-house analysts are gaining ground

Fund managers are increasingly relying on their own research, writes Nicholas Denton

days and there are some representatives of a new breed: the in-house analyst from s fund manager that owns shares in the company, These "buy-side analysts"

so called because they represent the institutions which buy shares - may only earn half or a third as much as their sought-after counterparts employed by stockbrokers. Their questions at briefings are fewer and less pointed. The harsher brokers' analysts dismiss them as sheeplike. But they are undeniably gaining in num-

This year's Extel survey of investment analysts recently found that 47 per cent of fund managers planned to increase the amount of their m-house research

And brokers' analysts increasingly complain they have to do the tedious leg-work of digging out financial data about a company, while their opposite numbers at fund managers do the more sophisticated work of synthesising this basic informa-

One important reason fund managers have built up their own research is that they have less faith than they did in the objectivity of the advice they receive from

Analysts, who often meet chief executives, can help the bankers tout for busi-

Go to a UK company's ness in exchange, corporate tial in-house research, annual results briefing these finance usually shares the Fund managers cost of research.

managers worry that brothan institutional clients.

does a broker make the

In a modern investment

bank, research is a common resource for equity sales which markets shares to institutions - and for the corporate finance department - which advises companies on acquisitions and helps them raise money. The bankers have become

more important as internal customers, as commissions on secondary trading have fallen to a wafer-thin 0.2 per cent. Fee revenue from primary business such as flotations can easily be 10-times that from broking in existing

That makes some fund

kers' research recommendations are motivated by a desire to please companies, and their own corporate finance departments, rather Only about one time in 10

unpopular recommendation to sell a stock, for instance. investment banks have oo occasion upped the profits forecasts of companies whose share offerings they are managing. Mark Lawson-Statham, head of research at

Fleming Investment Manage-ment, says: "A lot of the FUND

## MANAGEMENT

[brokers'] analysts out there are touting their wares for corporate finance business." But more than mere distrust of brokers is behind fund managers' build-up of their own research efforts. In-house research goes hand in hand with differing investment styles.

Some housee prefer growth stocks - companies whose earnings are rising strongly - while others such as PDFM, the UBS fund management division, are value investors, choosing companies with low price-earnings ratios. One important function of huyside analysts is to interpret financial data in the light of the house strategy.

The final factor is the consolidation of the fund management industry. The actuarial consultants who advise pension funds and other institutional investors tend to recommend fewer than half a dozen of the bestperforming fund managers, such as Mercury and Morgan Grenfell Asset Management. The largest investment managers have gained the criti-

Fund managers in-house research in different ways and with varying intensity. Some of the smaller operators continue to rely on brokers. Fund managers such as Henderson, whose research staff has grown from zero to 12 in five years, use their in-house capability primarily to sift and synthesise brokers'

fund managers - which includes Newton, Mercury, Fleming Investment Management and Schroder Invest-ment Management - with sector specialists who turn up to company briefings. Fund managers based in the US such as Fidelity -

But there is a group of

which have never had an independent stockbroking sector to rely on for tips have the greatest commit-ment of all to their own Two-thirds of Fidelity's 60

professionals in the UK are analysts. Rick Spillane, chief investment officer in Europe, says: "A lot of what is in brokerage reports is already discounted in the markets. Having our own research is our key strategic

As in-house research operations grow, the value of brokers' notes is declining. Fidelity estimates that only about 30 per cent of its ideas come from brokers. Another fund manager says: "If the row, we would not have a problem." This raises a question about the way institutions pay brokers. At the moment, in the UK

institutions typically allo-cate their buy and sell orders, and therefore the commission they pay, according to how they rate a broker's analysis. But some fund managers, particularly those with expensive research efforts of their own. argue for a change. "If there are fewer and fewer brokers out there that we can rely for independence of view, why do we pay them com-

### **COMPANIES AND FINANCE**

## Belgacom investors encouraged by 15% rise

By Neil Buckley in Brussels

Strong growth in mobile phone and fixed telephony services helped Belgacom, the partiallyprivatised Belgian telecommunica-tions group, increase first-half net profits 15 per cent from BFr6.7bn to BFr6.6bn (\$216.5m). Unaudited results for the first

six months showed total turnover up 9 per cent at BFr67.5bn. from BFr62.1bn. Turnover from mobile phone services surged 53.1 per cent, while fixed telephony turnover climbed 8.9 per cent.

and tax jumped 30 per cent from in turnover as in 1995 – when sales ing about 26,000, little changed charges has already prompted prompted from last year. Belgacom employ-complaints to the European Com-BFr10.4bn to BFr13.5bn.

The results will be a boost for the consortium of Ameritech, the US telecoms company, Tele Dan-mark and Singapore Telecom, which paid BFr73.3bn last December for a 49.9 per cent stake in the company, which is still majority-

owned by the Belgian state.

The Ameritechled group beat a One task will be to increase efficient rival bid from KPN, the clency by cutting staff – the computch telecoms operator, and pany had only 178 fixed lines per Swiss Telecom.

"improvement in operating profit".

But analysts agree that Belga-com faces difficult challenges as it prepares to lose its monopoly on voice telephony in Belgium in time for liberalisation of the European Union's telecoms market from Jan-

employee at the end of 1995, far Belgacom said the outlook for fewer than the European average.

ees demonstrated last December over the threat of job cuts.

Another challenge will be to improve its reputation for poor service, to fend off competition from domestic rivals such as Telenet Vlaanderen - a consortium of US cant -telecoms group US West and 17 rivals. local cable companies in Flanders, Belgium'e Dutch-speaking region – telecoms alliances.

Competition is also likely to

mission.

However, analysts also point to growth opportunities, with Belgacom'e total of 4.6m fixed lines at the end of June representing a market penetration of only 46 per cant - well below some European

The Belgian government hopes Belgium'e Dutch-speaking region - the Ameritech-led consortium will inject a much-needed commercial ethos into the group, and sees the sale of a strategic stake last year bring Belgacom's prices under as the first step towards a stock pressure. A recent increase in call market flotation.

## ver climbed 8.9 per cent. the year was "encouraging", and Progress in thet area has been operating profits before charges that it expected the same growth slow, with employees still number-German Länder bond issue to be priced today

By Andrew Fisher

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A STATE OF BUILDING

Pricing will today take place of the DM4bn "jumbo bond" issued by seven German regional states (Länder). The states, which banded ager of the together for the first time in thum, said. a bid to lower borrowing costs and increase their

points more than the comparable government bond, Dresdner Bank, a lead-men-

ahead of European monetary North Rhine-Westphalia,

It will run for 10 years burg, Hesse, Rhineland-and carry a 6.25 per cent Platinate, Saxony-Anhalt coupon, yielding 17 basis and Schleswig-Holstein will each have DM500m. Germany's states, of which

there are 16, are concerned ager of the issuing consor- that their borrowing powers could be weakened after The largest share of the Emu when they will be costs and increase their issue's proceeds will go to competing with other Euro-capital market presence the industrialised state of pean regions to borrow in euros. Lander bonds make union, announced details of which will receive DM1bn. up about 10 per cent of

German public sector debt. By issuing jumbo bonds, which are liquid and appeal to international investors. the states hope to reduce funding costs and attract more international muscle. investors. At present, they issue largely through privately-placed certificates (Schuldscheine) and small bearer boud issues, both are which are very

but foresee more jumbo bonds as the Lander continue co-operating to strengthen their borrowing

The main issuing consortium consists of ABN Amro Bank, Commerzbank, Deutsche Morgan Grenfell, DG-Bank, Dresdner Kleinwort Benson, Landesbank Hessen-Thuringen, Paribas Capital

Bankers expect issues of Markets, Trinkhaus & Burkhardt, Union Bank of Switzerland and Westdeutsche Landesbank

The Hesse state finance ministry said the first-class creditworthiness of the issuing states, and the absence of large liquid German debt issues since February, except for government bonds, indicated the jumbo bond would be a

#### NBP bond debut flops A maiden foray by the National Bank of Poland (NBP)

**NEWS DIGEST** 

Former Lazard

Boston court of fraud and corruption. He is the

the insider dealer cases of the 1980s.

man faces prison

Mr Mark Ferber, a former partner at Lazard Frères, the

New York investment bank, faces a prison sentence and millions of dollars in fines after being convicted by a

bighest-profile Wall Street executive to face jail since Mr

Michael Milken end Mr Ivan Boesky were imprisoned in

Mr Ferber, 43, was convicted on 58 counts of defrauding his clients by failing to disclose kick-backs paid under a

secret fee-sharing arrangement set up by Lazard Frères

and Merrill Lynch. Prosecutors expect him to be given a three to five-year prison term when sentenced on November 4. Mr Ferber'e lawyers said he would appeal. The case grose from a contract between Lazard Frères and Merrill Lynch under which Lazard introduced

municipal authority clients to Merrill, which arranged interest rate swaps for them. In return, Merrill would pass part of the fees from the swaps to Lazard. The Securities

substantial financial benefits from the contract, which

none of Ferber's clients lost money, he had defrauded

Merrill Lynch each paid \$12m last year to settle civil

them of the right to honest services. Lazard Frères and

charges brought by the SEC. Richard Tomkins, New York

brought Lazard \$2.6m in fees. Prosecutors said although

and Exchange Commission said Mr Ferber received

into the domestic bond market, its first ever outright bond sale, met with scant success when the 29 market-making banks refused to accept the rates offered. "These bonds have low liquidity and that means that the interest rate must be at least 20 basis points (or 0.20 percentage point) higher than 52-week Treasury bills, which are currently yielding more than 20 per cent," said Mr Piotr Bednarek, principal dealer at ING bank in Warsaw. The two-year government bonds offered last week by NBP had a yield of 19.92 per cent. A sale of 14 per cent five-year bonds met the same response: in three

sessions last week the NBP could place no more than

one-fifth of the total 1.6bu zlotye on offer. The two issues, maturing in July 1997 and July 2000, were bought by the NBP when launched a year ago by the government. Since July 1995, bank officials say, the NBP has had to await approval from the Securities Commission to proceed with outright sales to investors. Meanwhile, interbank rates have been falling and returns on Polish Treasury bills due for auction today are expected to decline, possibly making the yields of the NBP bonds look more attractive. Christopher Bobinski.

### Radex-Heraklith declines

Radex-Heraklith, the Austrian industrial group which claims to be the world's biggest maker of high-grade refractory materials, has reported a 12.6 per cent drop in first half pre-tax profits to Sch208m (\$20m). Net sales for the six months to end-June fell Sch100m to Sch10.4bn. William Hall, Zurich

## Financial trading drives advance at Julius Baer

By William Hall in Zurich .

Julius Baer, the biggest of the publicly-quoted Swiss private banks, increased net profits in the first half of 1996 by 28 per cent to SFr62.2m (\$51.7m). However, its results show the growing dependence of Swiss banks management. In the latest on volatile trading profits to maintain profits growth.

Profits from trading in securities and foreign exchange rose 31 per cent to private and institutional SFr78.8m, while net interest income fell 5 per cent to SFr64.4m despite 9 per cent

income from fees and com- activities related to the portmissions, which traditionally accounts for more than half of profits, rose 21 per cent to SFr148.4m. Baer's traditional business

- managing private client money - accounts for about 70 per cent of funds under six months, assets under . By contrast, Baer's net management rose 14 per cent to SFr56.2bn, reflecting the: "substantial acquisition" of accounts.

growth in the group's bal- for growth of commission profits, has fallen 10 per cent operator of dialysis centres ance sheet to SFr9.1hn. Net incoma as well as further since 1994.

folio management business". However, a comparison of Baer's latest half-year results with its performance two years ago shows its recent growth in profits can be mainly attributed to it more than doubling trading income over the period.

commission income is marginally down on the 1994 figure of SFr145m, despite a 29 per cent rise in funds under management. Meanwhile, The group says growth in net interest income, one of acquisition of National Med-this area forms a "solid basis" the more stable sources of ical Care (NMC), a leading

## Fresenius lifts first-half profits 51% to DM53m

By Wolfgang Münchau in Frankfurt

Freseuius, the German medical group, lifted net income 51 per cent to attributed the improvement to fast sales growth, espe-Systems division, the core business of the group.

The interim results do not yet take account of the planned multi-billion dollar and a subsidiary of W.R.

Grace, the US chemicals group. Fresenius' acquisition of a majority stake in NMC still needs the approval of shareholders in W.R. Grace and of Fresen-DM53m (\$35.8m) in the first ins' US operations before the six months of the year. It deal is completed in the autumn. The merger has been approved by the Fedcially in the Dialysis eral Trade Commission of the US and the Federal Car-

tel Office in Germany. Fresenius' sales rose 27 per cent to DM1\_35bn in the period, including a contribution from two acquisitions in Austria and Mexico. Without these, sales growth would have amounted to 14

per cent. Fresenius said yesterday sales of the dialysis systems division climbed 15 per cent to DM692m, with the strongest growth coming from dialysis machines. The pharmaceutical divi-

sion lifted sales 16 per cent, to DM407m from DM352m in the 1995 January-June period.

Group pre-tax profits went up by 32 per cent to DM85m. The company said the increase in operating costs and depreciation had been lower than the advance in sales. The company also benefited from lower



## Suit against BA could leave USAir flying solo

Management at the US carrier is ready for independence

as USAir indulging in a epot of irony when it reacted to news of the alliance proposed by British Airways and American Airlines in June? The proposal had, claimed the junior partner in a three-year-old alliance with British Airways, "the poten-tial to provide USAir with the ability to pursue new and positive opportunities". Two months later, it has become clear just what those opportunities were. One is the chance to sue British Airways and American Airlines for allegedly trampling over USAir in their eager-

minate USAir's partnership with British Airways. In a suit filed in a federal district court in New York, USAir claims that British Airways violated the terms of their alliance by seeking a partnership with American Airlines. It seeks damages gainst British Airways and American Airlines and a dissolution of the USAir-British

ness to do e deal; another, the opportunity to try to ter-

Airways partnership. in a country as litigious as the US, it would be easy to dismiss USAir's suit as opportunistic or frivolous. But the airline - or perhaps more precisely, its new chairman and chief executive, Mr Stephen Wolf appears to be deadly earnest. USAir's alliance with British Airways was formed in January 1993, when USAir and was badly in need of cash. British Airways came as a saviour with its offer to invest \$750m over five years.

Under phase one of the three-phase deal - the only part completed - British Airways invested \$300m in USAir in return for a 24.6 per cent stake in the compeny and three seats on the board. The airlines also struck a code sharing deal. The alliance seemed to

make sense. USAir was the biggest airline on the US east coast and British Airways the biggest transatlantic operator. By integrating operations, the two could offer seamless connections for passengers travelling between dozens of US cities and the UK. Now, however, USAir

argues it got the raw end of the deal. At British Airways' insistence, it says, it was obliged to relinquish its three routes between the US and the UK, leaving British Airways to fly them instead. And while the code sharing agreement allowed British Airways to put its codes on USAir flights, USAir was barred from putting its own codes on British Airways

in effect, USAir says, the deal turned it into little more than a domestic feeder service for British Airways transatiantic services. While British Airways says it benefits by about \$100m a year from the alliance, USAir

British Airways points to the fact that its investment in USAir probably saved it from oblivion. But USAir's suit goes on to allege it was kept in the dark about British Airways' negotiations to

had suffered four consecu-tive years of heavy losses better deal than USAir ever better deal than USAir ever

> It takes particular issue with the fact that, even as British Airways was continning to refuse reciprocal code-sharing rights for USAir, the company was offering exactly those rights to American Airlines. "While BA was saying 'no' to USAir, it was saying 'yes' to AA," the soft says.

Industry analysts are in

little doubt that the carrier's main purpose in filing the suit is to regain its indepen dence. Mr Wolf, appointed USAir chairman and chief executive in January, has a reputation for turning round troubled sirlines and preparing them for sale. He did it with Republic Airlines (sold to Northwest Airlines in 1986), Tiger International (sold to Federal Express in 1989) and United Airlines employee buy-out in 1994). USAir fits the description

of "troubled". Although profcosts of any large US carrier as low-cost US carriers con all grist to Mr Wolf's mill: he is confident he can turn the sirline round.

Selling it, however, is another matter - British Airways is sitting on a quarte of the equity. And if USAir-fails to find a buyer, inde-pendence will at least leave it free to start up its own transatlantic services. "The new management probably feels there is more

value in the company if it is not associated with British Airways," says Mr Raymond Neidl, analyst at Furman

Richard Tomkins



August 1996 - Waiting for Leica

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THIS WEEK

ING BANK

## Global Investor / Peter Martin

## Lessons from the July setback

e are now far enough from the sharp market setback of July to draw lessons from the event. The FT/S&P World Actuaries index is back to within 2 per cent of its high, is it back to business as usual?

There is one obvious difference. Smaller stocks. especially high-technology ones, have not regained the ground they lost during the correction. Smaller US stocks, for example, outper-formed larger ones significantly in the run-up to the correction. When shares in general fell, they fell fastest. Since the bottom of the trough, they have stayed in step with their larger rivals, but have not made back the ground they lost. Overall, they have underperformed

so since tha June correction. To put it another way, the Dow Jones Industrial Average is roughly 1.S per cent below its May high; the Nasdaq Composite is 10 per cent below its peak of early June. The performance of some

of the main stock market indices is shown in the chart. The three periods examined are the first six mooths of the year, the three week downward move (July 1 to July 24) and the snap back (July 24 to August 7). Looking more widely, and

using the FT/S&P country indices, the pattern is clear. In general, those markets which did best during the first six months of the year did worst durlog the set-back. New Zealand, for example, gained only 0.77

age of 6.26 per cent, putting it fourth from last. But in the secood period, when stocks elsewhere were sliding, New Zealand came top, with a gain of 1.71 per cent. A similar, less exaggerated. effect was at work for the UK, which was close to the bottom of the list in the first

average fall of 5.88 per cent). The recovery of late July and early August has shown up most in those markets where parformance was strongest in the early part of the year, most noticeably the US. Analogously, neither the UK nor New Zealand sparkled during the recovery, particular stands out as one

period, but in second place in the second period (with a

drop of only 1.58 per cent

compared with the world

in the early part of the year. So much for history. What

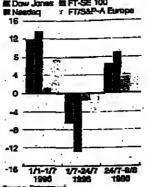
are the lessons? There are three. First, despite recovering its poise, the market is still wary of email-cap stocks, especially technology plays. Secood, emerging markets have split into two groups. Some, such as Mexico, appear to be essentially highly geared versions of the world market - outperforming sharply in the upswings and underperforming hadly during the setback. Others, particularly once favoured south-east Asian markets, seem to have broken free into an illfavoured orbit of their own, doing relatively badly in all three phases. Thailand in

larger stocks by 5 per cent or per cent in the first period, though their underperform- of only two countries to fall against a world index aver- ance was not as marked as in all three periods, the Third, in the developed

world, the big issue is still economic growth. Wall Street's sethack came because investors feared tha US economy was growing too fast and the Federal Reserve would take steps to cool it. The setback proved. in effect, self-correcting, since it led many to believe that - with the worst speculative excesses in technology stocks now past - the Fed would be less likely to raise rates at its next open market committee meeting, due on

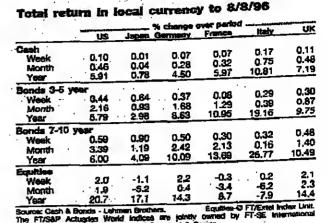
Economic growth is also a theme of Japan's stock market performance. Lingering doubts about the resilience of the economy have been 

Key index movements % change in 5 terms



one of the factors preventing Tokyo's full participation in the year's two upswings, while not protecting the market against the setback in between.

In the other two hig econoperformed Germany in the



prices in the early part of

mies where growth has been the main issue - Germany and France - the balance of economic expectations has noticeably changed in the past few weeks. France out-

the year. But the position reversed in both the succeeding periods, with Germany clearly ahead. This shift owed a great deal to the parception of stronger growth prospects for the German economy.

more boring truth. Investors respond to those fears.

period of rising world share are highly sensitive at the moment to individual economies' prospacts of stable. surprise-free growth. They are perticularly sceptical about countries where policy is under pressure - elther from over-energetic expansion or from continued stagnation and social tension. The rise and partial fall of The winners and losers of the high-tech sector has the year to date show just diverted attention from a how quickly the markets

#### **COMPANY RESULTS DUE**

### Bayer and Hoechst look strong in first half

Analysts expect Germany's chemicals companies to perform strongly in the first half of this year. But with oo sign of any decisive pick-up in the economy, the companies will refrain from being too bullish about their prospects for the rest of the year. Bayer kicks off the report-

ing season for Germany's chemicals companies today followed by Hoechst on

Bayer's pre-tax profit to rise to DM2.63bn-DM2.68bn (\$1.81bn.\$1.9bn) in the first half, up 9.5-11.5 per cent

However, given the uncertainty about the etrength of the upturn in the German economy, the companies would oot want to pin themselves down to overly positive forecasts for the remainder of the year, analysts

Hoechst would provide an interesting case, because its results are likely to be distorted by a number of divestments this year, analysts said. Those are likely to bring about a decline in sales, but a rise in earnings. Analysts are expecting Hoechst's first-half sales to fall to DM25,95hn this year from DM26.3bn last year, with pre-tax profits rising to DM2.75bn from DM2.1hn.

Astra: The Swedish pharmaceuticals group is of SKr6.56bn-SKr7.234bn year earlier.

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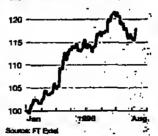
(\$994m-\$1.1bn), compared with SKr6.338bn a year earlier, according to a survey of analysts.

The average expectation is for a first-quarter pre-tax profit of SKr6.949hn, according to survey published by Direkt. The spread in estimates was largely a result of the difficulty of assessing when the effect of the strengthened krona would show in the company's results, analysts said.

■ ABN Amro Bank begins

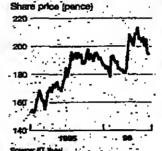
the reporting season for the leading Dutch financial institutions on Thursday, when it is expected to report net profit for the 6 months to June of Fl 1.468bn-Fl 1.515bn (\$937m) or Fl 4.25-Fl 4.36 a share, according to analysts' on Thursday expected to forecasts. They expect a report a pre-tax profit first-half dividend rise to for the six months to June FL 1.80-FI 1.95 from FI 1.60 a

Sector relative to the Dax Index



Smith & Nephew: Interim results today from the medical equipment producer, are expected to reflect the weakness of the US healthcare market. This dullness will be more than offset by strong growth in Europe and southeast Asia, and contributions from recent acquisitions, such as Acufex. As a result, the group is likely to outperform its peers in a difficult

### Smith & Nepbew



market. But pre-tax profits will still be up by little more than 5 per cent, st about £90m (\$140m).

WPP: The world's largest marketing services group is expected today to declare first-half pre-tax profits of £64m (\$99m), up from £48m, led by 10 per cent of revenue growth and improved mar-

#### operating margins by 1 percentage point a year is reaping dividends - the current figure is around the 10 per cent mark - although the

The group has benefited from the global trend of large clients such as Kodak and IBM consolidating their advertising and marketing

group has some way to go

per cent of its peers in the

hefore it resches the 12-15

■ General Accident: The Scotland-based composite insurer is expected tomorrow to report s drop in halfyear operating profits from £257m to about £180m (\$279m). Like other insurers, GA has been hit hy higher US and UK weather claims. Attention is likely to focus on the group's attempts to reverse recent price falls for personal insurance - and on

its tactics for countering the competitive threat posed by newly merged rival Royal &

Sedgwick: The insurance hroker, is expected tomorrow to produce half-year pre-tax profits harely higher than last year's £63m (\$98m), reflecting continuing tough trading conditions. Mr Sax Riley, chief executive, has previously mooted possible mergers among the big six glohal hrokers, hut rival Willis Corroon said last week that combinations would not work. Sedgwick's response will be noted carefully.

■ BOC: The gases group publishee third-quarter results tomorrow. Analysts are expecting pre-tax profits of about £114m (\$178m), compared with £100m last time. Earnings per share and sales should show eteady

£970m respectively. Analysts will be looking for continued growth in US market share in industrial gases.

Also of interest will be progress at the company's vacuum division, which serves the turbulent semiconductor industry, while its healthcare operations are still suffering from heavy competition. There may even be bints of acquisitions in industrial gases.

■ Glynwed International: The diversified engineering group is expected to report a mixed set of interim results on Wednesday with pre-tax profits forecasts ranging from £39.7m to £43.4m (\$67m), compared with £41.5m last time.

Analysts believe the company has come under pressure from the decline in stainless steel prices, patchy demand from utilities, and growth to about 15p and continued destocking.

### INTERNATIONAL EQUITIES By Tony Tassell

## Non-voting shares come to India

The spectre of non-voting control sprawling empires many were likely not only to shares looks set to unsettle through complex webs of boycott non-voting share tor of Martin Currie Invest-yet another equity market. minority shareholdings in issues but also offload hold-ment Management, said nonmonth's federal bodget for Indian companies to issue non-voting shares for up to 25 per cent of their capital. Predictably, the move bas aroused hostile opposition from foreign institutional investors in the country. As in other markets where

non-voting shares have been introduced, concerns heve been raised ebout an emasculation of the rights of minority shareholders, an increase in costs of capital following higher dividend payments on such stock, and reduction in the accountability of company manage-

However, the issue also has a particular significance for India where most private companies are controlled by family groups.

Many of these, household names in India, an retrograde step. He said

With state-owned financial institutions, the largest shareholders in India, adopting a largely passive approach to their investments, the family groups can control companies with small shareholdings. The Tste group, for instance, controls the Tata Iron and Steel Co, the bluechip Indian steelmaker, with a holding

of just 15 per cent. Non-voting shares would allow many of the cashstrapped family groups to raise funds without diluting their control. If impending guidelines for non-voting shares are too permissive, some analysts fear there

could be a rush of issues. Mr Anthony Conway, director of Seamico Marlin Securities, said foreign institutional investors viewed the make them. "It is a very slippery slope. It is something India could do without at the

moment," he said. Mr Bharat Shah, chief investment officer of Birla Capital International, also said the issue of non-voting shares would be a "lose-lose proposition" for any company making one. He said even a "whisper" of such an issue would result in a company's shares being

"severely punished" However, despite impas-sioned pleas by some foreing institutions to overturn the shares, the Indian government appears unlikely to change its mind. Mr Montek Alhuwalia Singh, finance secretary, recently said the market should decide on whether the non-voting shares should be issued, not the government.

Mr Adrian Mowatt, direcings in companies which voting shares were unlikely to find acceptability in the market. He said they increased the cost of capital for ordinary shareholders, as higher dividend payments are usually required to compensate for the lack of voting rights. In addition, disenfranchising a class of shareholders signalled a poor attitude to corporate

> governance. However, Mr Brij Gopal Daga, chief general manager of market operations for India's largest mutual fund group, Unit Trust of India. questioned the opposition of foreign institutions. He said many held global depository receipts which required them to vote with the issuer's management in any resolution put to shareholders Mr Daga also said that in

some cases non-voting shares might be of interest to UTI as a source of income.

### FT/S&P ACTUARIES WORLD INDICES

Figures in parentheses	US	% ohg	Pound	-		Local	Local %	Gross	US	Pound			Local	-		Year
show number of lines	Dollar	since	Sterling	Yea	DM	Currence	y cha from	DIV.	Dollar	Sterfing	Yea	DM		52 weeks	-	
of stock	Index	29/12/85	Index	Index	Index	Index	29/12/95	Yield	Index	Incless	Index	Inches	Index	High	LOW	(approx)
Austrella (80)	198.26	4.3	189,71	135.49	152.38	169.34	-0.3	4.26	198.70	190.09	135.85	153.35	169.61	212.18	177.98	
Austria (24)	.180.69	3.5	172.90	123.49	138.88	138.79	5.9	2.03	179.10			138.29			188.11	
Belgium (27)	217.82	4.0	206.23	148,72	167.26	163.56	7.8	4.07	216.63	207.25		167.18			188.00	
Brazil (25)	_177.82	28.e	170.15	121.53	136.68	331.12	34.2	1.93	178.22			137.54			123.97	
Brazii (28) Canada (119)	_159.77	7.8	152.87	109.10	122.80	158.76	8.3	2.25	159.76			123.30			134.14	
Denamerk (30)	314.52	8.9	301.05	215.01	241.82	244.76	124	1.98	315.18		215.48				276.86	
Finland (23)		10.9	196.54	141.80	159.48	193.76	13.7	2.58	206.87						171.73	
France (96)	_190.05	5.9	161.85	129.88	145.07	150.67	9.5	3.20	120.44		130.21				167.70	
Germany (58)	.,175.65	7.8		120.06	135.02	135.02	10.8	1.87	175.88		120.12				155.66	
Hong Kong (58)	424.38	8.5	406.07	290.03	325.18	421.59	8.5	3.47	426.86			329.28			348.81	
Indonesia (27)	.181.21	_	182.95	130.67	146.96	274.88	_	1.73	161.23	182.95		147.58		401,10	340.01	303.40
tretand (16)	285.50	11.7	273,18	195.11	218.44	249.90	11.2	3.49	287.17			221.63		290,82	235.86	247.81
Italy (58)	75.92	3.0	72.84	51,88	58.35	86,19	-1.9	2.49	77.08	73.74	52.70			84.53		
Jacon (481)	145.91		139.61	99.72	112.15	99.72		0.77	146.74			113.25		164.68	67.22	
Maleysia (107)	514.84	123	521.33	372.35	418.76	522.66		1.72	5-12.52	519.03		418.70			137.75	
Mexico (18)	1237,42	19.5 1	184.04	845.68	951.08	10173.38		1.31		1172.25			10093.76		425.77	
Netherland (19)			284.03	202.86	228.15	224.80		3.21	296.23	283,40	202 64	228.62	225,31		791.99	
New Zeeland (15)		3.5	78.89	56.34	63.37	63.61		4.27	82.90	79.31	56.68			298.69	245.79	
Norway (35)			238.88	170.60	191.86	216.70		2.09	260.03	239.21		192.97	*****	84.71	75.94	
Philippines (22)	196.86		190.39	135.98	152.93	259.75		0.63	199.75	181.10				256.94	222.24	238.15
Singapore (44)			374.88	267.73	301.11	255.60		1.49	391.18			154.18				
South Africa (44)	331.90		317.58	226.82	255.10	329.02		2.28	332.30	374.25		301,90			355,81	368.02
Spein (37)	178 27		168.67	120.47	135.48	169.15		3.48			227.20				329.57	
Sweden (48)			337.81	241.27					177.72			137.18			145,15	158.00
Switzeriand (37)				188.36	271.34	347.71	13.8	2.45	352.58	337.32	241.07		348.72		260.13	280.13
Thelland (45)					190.48	184.95		1.60	248.89	236.20	168.81		185.36	252,34	181.24	197.85
United Kingdom (199)				101.12		145,52		2.30	150.37	143.86		116.05		193.95	141.28	163.03
USA (625)			228,87	153.46	183.84	228.87	4,0	4,18	239.22	228,87		184.62		239.22	218.52	
USA (623)	.209.31	7.3	257.89	184.19	207.15	269,51		2.19	269.80	258.12	184.47	208,22	269.90	276.47	226.74	
Americas (791)		7.8	235.65	168.33	189,31	207.12	7.5	218	246.53	235.86	168.56	190.27	207.31	352.43	208.19	209.80
Europe (706)	<b>_212.37</b>	5.7	203.21	745.14	163.23	182.86	· 7.6	3.11	212.49	203.29		163,99		213,30		
Nordic (138)	307.49	11.5	284.17	210.10	236.20	263.53	12.8	2.34	307.21	203.01		237.09			189.33	
Pacific Basin (880)	159.12	-3.7	152.28	108.75	122.30	111,05		1.24	159.82	152.99		123,42		307.43	261.13	
Euro-Pacific (1586)	.181.18	0.7	173.37	123.82	139.26	138.18		2.15	161.70	173.83				177.01	148.86	
North America (744)				179.57	201.96	262.14		2.20	263.03	251.64		140,29			168.51	
Europe Ex. UK (507)				131,77	148.18	156.39		2.53	192.95			203,00			221.79	223.48
Pacific Ex. Jepen (399)			268.02		215.29	242.68		3.05		184.60		148.92		194.86	169.65	176,38
World Ex. US (1796)			174.57	124.88					280,74	268.59		216,87	243.22	296.68	243.50	260.62
World Ex. UK (2222)			197.86		140.22	142.73		2.15	182.92	175.00		141.17		191.65	187.36	176.02
World Ex. Japan (1840) .				141.17	158.77	174.25		1.97	207.01	198.05	141,54		174.73	213.05	185.61	
**************************************	243.83	0.5	233,41	166.70	187,49	229,93	7.4	2.58	244.15	233.58	166.83	188.43	230.27	247.55		
The World Index (2421) .	209.42	3.5	200.36	143.12	160.98	179.18	5.3	2.17	209.83	200.74	143.48	161,94				

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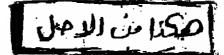
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#### MARKETS: This Week

US markets maintained their more relaxed stance lest week following the drastic and favourable - reappraisal of the outlook for the US economy the week before. Admittedly, the Dow took a tumble late on Friday, but that was largely because Philip Morris, a big constituent of the index. tcok a hit from an unexpected award against the tobacco industry in a Florida court. Without that, the Dow would have ended the week within striking distance of its record high. Bonds, too, sustained their rally, with rising prices driving the yield on the

over the week. Analysts see little on the horizon to interrupt this trend. Friday's figures for producer prices, showing an increase of just 0.1 per cent, reinforced perceptions that the inflation threat is in retreat, leading to a growing belief that the Fed will not oush up interest rates at the meeting of its open market committee next week. Donaldson, Lufkin & Jenrette does not see any possibility of a firming this year; indeed, It believes there is a significant possibility of an easing at the Fed's December meeting.

Analysts are expecting

30-year long bond down from 6.73 per cent to 6.69 per cent

> another week of good news on the economic front. Among the more notable statistics, the latest inflation figure - the consumer price index for July, due tomorrow - is expected to show a favourable picture with an increase of just 0.2 per cent. Figures for retail sales, also due tomorrow, are expected to show a decline of 0.2 per cent, and figures for industrial production, due on Thursday, are expected to show a decline of 0.1 per

Economic data seem likely to set the market agenda in ondon this week, after the recent run of corporate news which moved the FT-SE 160 index towards the top of its ecent trading range.

CONTION SYPPHIO Copper 15 2 2 2

Investors have producer prices, unemployment, verage earnings, retail prices and the public sector borrowing requirement to analyse. Gilt investors will remain nervous about any inflationary trends, especially after the Bank of England's warning last week

that interest rates will have to rise if the government is to meet its target. However, Mr John Shepperd, chief economist at Yamaichi International, tells investors to "look for a good run of UK inflation data in

the coming week. Whether inflation is dead or not is a

debatable point, but it is

certainly showing few

visible signs of life." But markets are also going to be strongly influenced by US statistics, ahead of what could be a vital meeting of the Federal Reserve's open market committee on August 20. Figures on consumer prices, retail sales, industrial production and canacity utilisation - all or any could be decisive in determining whether US interest rates increase.

The growing conviction

rigo.

that the Fed will hold fire played its part, along with ent corporate results and takeover rumours, in prompting the Footsie to record seven consecutive gains. But eo far this year, every time the Footsie has rallied past 3,800, something has happened to drag it back down again. Unless a multi-billion pound bid emerges, or the Conservative party starts to narrow its deficit in the opinion polls, it is hard to see what will prop

the Footsie up this time.

NORDIC

After the banks, it is the turn of the chemical companies. Germany's banks mostly turned in impressive first-half results, and speculation about possible ergers, takeovers or alliances helped keep their share prices buoyant.

After a bout of nerves caused by volatility on Wall Street over possible US interest rate rises, the German stock market kept its nerve. The Dax blue-chip index ended last week above 2,500, having dipped below for a while. Bayer and Henkel are due

to report interim results today, with SGL Carbon on Tuesday and Hoechst on Wednesday. BASF will announce its figures on August 22. Because of their combined weighting in the Dax 30-share index, better profits from the chemical groups and higher share prices could help break the market's recent hesitancy, analysts said.

With the Bundesbank still on its summer break and the next council meeting not until 10 days' time, interest rate cut expectations remain muted. Signs of a strengthening economy, with better industrial orders and production figures announced last week for June, could prompt the central bank to keep rates

7.00

unchanged for a while longer. Having decided not to cut the securities repurchase (repo) rate last month, the state of the economy could confirm its

no-change policy. July's business sentiment index, to be released by the Ifo economic research institute before the next Bundesbank meeting, could be more positive than in June, J. P. Morgan said. This would give the central bank "a good reason to keep the

repurchase rate on hold".

TOKYO By Emiko Jerazono

The Bank of Japan's efforts to alleviate concerns over an imminent interest rate rise helped Tokyo's bond market, but the stock market remained sluggish on

worries over future supply. Bond yields fell sharply as the Bank of Japan, noting that economic recovery was slow, injected funds into the short-term money market. But while fears the Bank

may raise interest rates following the release of the Tankan quarterly business confidence survey on August 28 have receded, a bond market rally may not last, note some economists. The new-found optimism

in the bond market may prove short-lived," said Mr Peter Morgan at James Capel in Tokyo. He says as the inventory adjustment period nears an end, there will be support for a rebound in industrial production. The strength of the stock market will also affect the timing of a shift in monetary policy. The Nikkei 225

enchmark last week fell to

a five-month low amid declining volumes. With foreign investors, which led the market's rally earlier in the year, becoming increasingly inactive, share prices have become vulnerable to selling because of oversupply fears.

The banks, which are

Benchmark yleid curve (%)" 9/8/98 — Month ago — 4.00 21000

expected to continue to write off bad loans, are raising capital on the stock markets. Industrial Bank of Japan recently announced it would issue Y226bn in new shares. while Nippon Credit Bank last week said it would issue preferred shares.

Worries over the listing of West Japan Railway, one of the seven groups created by the break-up of Japan National Railway in 1987. will also hang over the market Investors will focus on the auction outcome.

targeted by big buyers or

## COMMODITIES IN LOW MORE TO A

## Gold price prepares for test

The gold market's attempt to break into higher ground stalled last week at \$392.40 a troy ounce, and the price subsided to \$387.70. But traders generally remained generally bullish, suggesting that a fresh sortie into the \$390s was more likely than a retreat to \$385.

This view could be confirmed or modified on Thursday, when the World Gold Council, a promotional body funded by gold producers, releases the latest issue of its Gold Demand Trends.

At the presentation of the report in London, Mrs Helen Juntz, director of the WGC's gold economics service, will be reviewing developments in gold demand during the

during which the average price was \$10 below that of the previous quarter. She will focus on how demand has reacted to price changes in different markets.

Gold market analysts remain divided on the outlook for the market. Among the more convinced bulls is Mr Brian Marber, an independent technical analyst. He told the Renter news agency last week that the end of the bear trend had been indicated on August 1, when the London afternoon gold fixing was above \$386.10 an ounce, the last high on its

way down. "That was the clincher." Mr Marber said, adding that and infrastructure.

second quarter of this year, a decisive break above the one-year moving average of \$390 would cement the start of the uptrend. Ms Amanda Sells, of Union

Bank of Switzerland, was less sure. "Gold is in a vulnerable and yet potentially pivotal position," she said suggesting that gold needed a confirmed break of resistance at \$392 to signal a medium to longer term reversal. · Events this week include

the release today of the International Primary Aluminium Institute's stocks data for June. In Perth, Western Australia, mean while, a conference is being held on mining construction

### OTHER MARKETS Compiled by William Cochrane .

Having already reacted with enthuslasm to progress reports from Electrolux, in Sweden, and Nokia in Finland, Nordic markets will be tested again this week as the interim results season gets into top gear; names include Kvaerner and Den norske Bank in Norway, Novo Nordisk, Copenhagen Airport and ISS in Denmark; and a sheaf of Swedish companies including Autoliv, Gambro, Astra, Ericsson and Sandvik. On Sweden, UBS Global Research says that, with the European business cycle bottoming out and the krona up-

15 per cent year-on-year

against the D-Mark, bad

second-quarter figures have

been discounted and corpo-

rate comments on the out-

important. However, on Copenhagen Airport, the broker forecasts a 42 per cent gain in net profits.

look will be much more

#### ZURICH

The Swiss market has made good the setbacks suffered in the second half of July, having advanced by about 11 per cent since the beginning of this year. Renewed optimism in the banking sector was generated by the CS Holding restructuring plans at the end of June, says Mr Ian McEwen at Lehman Brothers, and underpinned by the half-year figures from UBS last Monday. Mr McEwen has shaded up his net profit estimates for SBC,

SFr750m. It will be difficult to make definitive comparisons in SBC'e case, he says, given that Warburg, the UK merchant bank which SBC acquired last year, was in the Swiss bank's figures for the second half of 1995, but not the first, However, if SBC makes SFr750m it sbould make quite an

#### BANGKOK

Organisers of Thailand's Bt21bn stock market support fund are aiming to pump part of the money into the market next week - as soon as they can raise the money and the market itself stabilises, writes Ted Bardacke. Brokers and the Thai Bankwhich reports on Wednes-day, from about SFr700m to lend Bt5bn to the fund, are

squabbling over the interest rate the fund will be charged. With bank deposits in Thailand paying more than 10 per cent and the market down 14 per cent on the year, bargaining is hard. Once the cash is in band, managers plan to be careful. "We won't invest against the market," says Mr Vicbarat Vichit-Vadakan, chairman of the Association of Securities Companies. "The entrance of the fund should not be used as mechanism for investors

### **HONG KONG**

to exit the market."

Summer doldrums are expected to grip the market this week, with turnover shrinking and share prices drifting lower, writes Louise Lucas. Meanwhile, the few stocks reports interims today.

sellers are likely to be volatile in a period of thin volume. Brokers reckon the market, which gained 1.3 per cent last week, will be unable to sustain its strength in the absence of fresh news, Several smaller companies report interims and Bank of East Asia, the colony's third biggest listed bank, announces its interim results tomorrow. Analysts are expecting a strong performance after HSBC Holdings and associate Hang Seng Bank trumped market forecasts with their results

last week. Brokers will also be watching the balfway numbers from Jilin Chemicals, one of the biggest Hong Kong-listed China companies, which

## THE DESCRIPTION OF THE PARTY OF Summer jitters over Emu poised to continue

In the absence of any important policy events in French franc. the diary, markets look set this week to maintain their European monetary union.

A pattern has developed over recent years, whereby currency tensions have often been at their most marked during the quiet summer months.

Lest week was no exception to the pattern, with markets feeding off n steady

FT GUIDE TO WORLD CURRENCIES

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diet of rumours about the

A combination of speculation about whether France traditional summer focus on could meet the Maastricht convergence criteria. rumours about a Franco-German sanctioned delay of Emu, and gossip about the position of Mr Jean-Claude Trichet, governor of the Bank of France, drove the franc to a four-month low.

The stronger D-Mark put

reported in the market to be supporting their currencies. its partners. More of the same can be expected, although the focusing on the main data extent of current moves. CPI and retail sales - and remains a long way short of a serious currency crisis.

Another factor which may cies is the expected release of a report on European banking payments mecbamost European currencies nisms by the European Mon- August 20.

under pressure, and a num- etary Institute. This has ber of central banks were been a cause of friction between the UK and some of

In the US, traders will be the Republican party convention in San Diego. The data are expected to be soft, influence European curren- and look unlikely to upset asset markets ahead of the next policy meeting of the US Federal Reserve on

Markets have backed away from expectations of higher interest rates, which damaged equities and the dollar

earlier last month.

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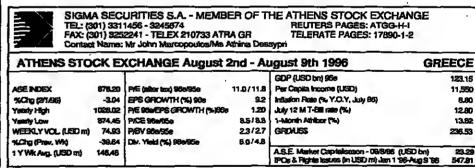
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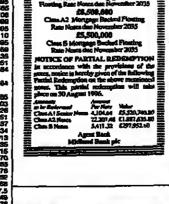
As far as the Republicans are concerned, there has been little evidence to date of the US presidential contest affecting the dollar. Markets have generally responded well to the Greenspan/Rubin stewardship of the dollar, and will see little need for change.

US S D-MARK

#### CROSS BORDER M&A DEALS COMMENT BIDDER/INVESTOR SECTOR VALUE nvestor Group (Inti) Heziewood (Australia) Wallace (US) Chase abandoned Moore Group (Canada) Comp. services \$1.4bn Kerry Group (HK) OCA (Australia) Kuok takes 9% Unit of Sun Oil (US) Oil & gas **Growing North** Agip (Italy) Salomon disposa First Nat Bidg Soc (Ire) . The Mortgage Corp (UK) Fin. services \$83m \$62m Stake nears 20% J Sainsbury (UK) Glant Food (US) CEME (US) \$38m Nova TV (Czech Republic) Stake now B8% Broadcasting Boosev & Hawkes (UK) Rico Intl (US) Music \$28m Cash buy Retailing Cash Convertors Int Cash Converters UK \$250 Cash/paper deal (Australia) TI Group (UK) Unit of Alcan (US) Brazilian buy \$24m Components











Standard Chartered PLC US\$400,000,000 Undated Primary

**Capital Floating Rate Notes** in accordance with the provisions of the Notes, notice ia hereby given that for the Interest Determination period from 12th August 1996 to

12th September 1996, the Notes will carry interest at the rete of 5.8125 per cent per Interest accrued to 12th September 1996 and payable on 13th Januery 1997 will amount to

US\$50.05 per US\$10,000 Note and US\$500.52 per US\$100,000 Note. West Merchant Bank Limited

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## EMERGING MARKETS By Sean Evers Privatisation sets Egypt alight Unseasonable

After years of slow growth and gradual adjustment to market disciplines, Egypt has finally ignited its privatisation programme. President Muharak may be seeing the realisation of his prophecy, that "1996 would be the year of the breakthrough" in attracting much-needed foreign investment. Local brokerage houses

claim the "breakthrough" came on May 7, when the government eold a 75 per cent stake in the highlyprofitable Medinet Naer Housing & Development Company. This was the first tion in Egypt, we have now sale, through the stock stake in a state company and it turned the market. A total of 43 foreign insti-

tutions and investment funds including 29 from the US, applied for ebares in Medinet Nasr. The transaction raised E£585m (\$172m).

Privatisation is no longer e pornographic word on the sensitive streets of Cairo," according to one World Bank official, who balieves this has allowed the government

to eccelerate the programme. Foreign portfolio investors have more than tripled their share of activity on the Egyptian stock exchange in the first half of 1996, up from just 6 per cent of the E£3.8bn (\$1.1bn) traded during 1995 to 20 per cent of the E£3.3bn traded from January to June

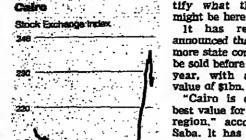
After a bull year in 1994, the market sobered up during 1995 because of stagnation of the privatisation programme, a withdrawal from Internetional Monetary Fund agreed commitments to lower tariffs on imported goods, and hesitation on investor-friendly legislative reform. But although foreign investors remained on the warming up for action.

"We just needed to get enough of e consensus, enough of an understanding of the process of privatisapassed a point of no return," said Mr Youssef Boutros-Ghali, Egyptian state minister for economic affairs. Since the spring turnround, overall market capitalisation has grown by some E£5bn to E£32bn, with the focus on the 40 or so actively traded stocks.

Mr Aladdin Saba, managing director at EFG-Hermes. the largest brokerage house in Cairo, says: "Investors are coming in - both foreign and reasons, starting with e very stable macroeconomy." Inflation has been brought down to below 8 per cent this year from 19.7 per cent in 1991, and the budget deficit was down to 1.5 per cent of gross domestic product in 1994-95 from double-digit levels in the early 1990s.

The macroeconomic base

ING BARING SECURITIES EMERGING MARKETS INDICES



is now more solid than it was in the bull run of 1994. A commitment to privatisation is evident, capital gains and withholding taxes have been abolished, an IFC list-ing is due next month, as is an IMF agreement.

In the 10 months before the majority sale of Medinet Nasr, the government had only floated three minority etakes in state companies. However, since May 7, it has offered equity in nine companies via the exchange, and three in strategic sales, out of which eix have been majority stake offers. These stocks have experienced an average growth of 31.5 per cent from their issue price.

Merrill Lyncb acknowl-

edges that "there are many good reasons not to buy in an inexpensive market, but we are hard pressed to iden-

might be here [in Egypt]". It has recently been announced that stakes in 39 more state companies would be sold before the end of the vear, with an estimated

"Cairo is currently the best value for money in the region," according to Mr Saba. It has a single-digit price/earnings ratio and high yields, compared with Jordan, Morocco or Tunisia, which have double-digit p/e ratios and low yields. Cairo's Die ratio is under 8. putting it at about one-third of the level of the IFC's emerging market composite index. It enjoye 11.5 per cent earnings-per-share growth, and a 9 per cent dividend vield.

The IMF reform package aims to nearly double the economic growth rate to 8 per cent, and increase foreign reserves to \$22bn.

Mr Arvind Subramanian. the IMF representative. points out that it will "involve trade liberalisation, deregulation, strengthening and deepening of the financial system, and the modernisation of the fiscal system". Mr Albert Momdilan, head

of the Middle East desk at HSBC James Capel, believes the current run "is definitely going to continue". He has set up the first Egyptian country fund, a closed fund worth \$46m. "Cairo is a totally open market - foreign investors can come and go as they please, but they are staying because this is a very undervalued market."

EFG-Hermes is due to launch an open Egypt country fund shortly, with Martin Currie, the Scottish investment house, acting as advis-

the Egyptian stock market has been welcomed as a "very healthy" sign, a technical correction after e July rise of 15.4 per cent. Mr Momdjian of HSBC "is taking advantage of the present weakness to buy", mainly from small local investors who are cashing in on up to 50 per cent gains in recent privatisations. He expects a correction of come 5 per cent befora the market rises again.

## flurry of issues set to continue

August, as investors and borrowers leave their offices en masse for their summer holidays. But this year, the market is turning out to be unseasonably lively.

week, from high-quality names such as Germany'e KfW and Abbott Laboratories, was prompted by the sudden change in sentiment in the US Treasury market the previous Friday.

Fears that the Federal Reserve would raise rates this month had led many investors either to retreat completely from the market, or to take refuge in shortdated bonds on which the impact of e rate rise would be less eevere than at the long end of the yield

However, the release of data showing subdued US employment growth data turned this defensive strategy into a costly mistake because investors missed out on the ensuing rally in Trea-

"The rally in US treasuries shook investors up." said one trader. In a bid to make

Argentina'e return to the

eurobond markst last

Wednesday with a \$500m.

offering was not in itself

spectacular, reflecting little

more than the continuation

of the country's medium-

term note programme. But it

did provide pointers to the

tone of the \$2,740hn market

in emerging economy debt,

First, it was issued as a

floating rate note. Coming

on the back of Mexico'a

recent \$6bn FRN issue, it

was further confirmation

and perceptions of Argentina

in particular.

The eurobond market to extend the duration of usually grinds to a halt in their holdings last week, because longer-dated bonds tend to perform better than the short end when the market swings upwards. But finding eurobonds to

INTERNATIONAL BONDS By Amonia Strange and Peter John

buy proved difficult at the The unexpected flurry of start of the week because of surobond issuance last the limited supply of 10-year dollar paper this year. KfW's \$400m offering of 10-year eurobonds on Tuesday was the first large 10-year dollar eurobond for five months.

The supply-demand imbalance caused yield spreads on ontstanding eurobonds to tighten, a development which syndicate managers. helieve should encourage more borrowers to tap the

By tha end of last week, the World Bank's bonds due 2005 were trading at about 15 basis points over Treasuries. compared with about 20 basis points a few weeks earlier, while Finland'e bonds due 2006 hed coma in to about 30 basis points from 37 basis points.

The pent-up demand from investors has raised expectations that the eurobond market will be equally busy this week. Bayerische Landesbank is set to launch a \$500m five-year eurobond offering as early as today, at

against the erosion of yield

Domingo Cavallo, the coun-

try's economy minister. The

narrowing of the spread

pointed to improving confi-

dence in Mr Cavallo's suc-

cessor, Mr Roque Fernández.

Finally, it was a reminder

begin to pick up.

Argentina returns with \$500m FRN

10 year benchmark bond yields depen Germeny France.

050 258 475 b47 325 350 050 325 393 057 340 415 289 5.11 3.20 18.27 managers, considering the 13-15 basis points over

Treasuries, while Fannie Mae, Tenneesee Velley Anthority and the World Bank have been rumoured as possible issuers of \$1bn offerings of 10-year global bonds.

investor demand has not been confined to the dollar sector. Last week the Swiss franc sector was unusually busy, with eight issues totalling SFr1.3bn being launched. The strength of demand for Sweden's SFr200m 10-year deal surprised many syndicate

dominance of retail investors (who prefer shorter maturities) in this sector.

Syndicate managers said Sweden opted for the 10-year maturity because of the favourable swap opportunities and strong institutional investor appetite for this maturity.

at the D-Mark sector, where investors are unlikely to see any new benchmark bunds before the end of the year.

#### Year to date moveme Actual Perce World (431) . 158.03 +0.79 +10.47 +7.09 Latin America +3.84 +0.98 +0.50 +4.29 +2.09 +2.94 +2.00 -3.20 -6.57 -9.94 +5.53 +2.37 +2.20 -1.94 +2.81 +52.96 -5.16 +6.58 +8.40 +113.04 +17.26 Chile (16) 190.46 170.83 82 00 Peru(13) Europe Greece (18) Portugal (20) -1.07 +0.99 -2.18 -1.40 -0.81 +9.97 +20.70 +20.06 -17.98 -3.48 -2.00 +3.22 -15.22 Turkey (25) South Africa (30) Europe (134) 102,86 135.40 +4.21 -6.23 -27.17 +24.96 +4.69 +55.54 -40.56 +44.60 China (24) +1,06 -4,45 +1,05 +5,05 -0,99 -11,72 +2,13 +5,35 +2,03 Indonesia Korea (23) 132,42 109.74

All Indices in \$ terms, January 7th 1982-100, Source; ING Baring Securities.

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### Banco de Boston S.A.

8% Notes Guaranteed as to Commercial Risk Due 2001

> The First National Bank of Boston (the Notes)

vereby given so the holders of the Notes (the "Noteholders") that Boston S.A. Is exercising its option, pursuant to Condition 6(c) of to redeem on 14th October, 1996 all of the Notes then outstanding. Such Notes will be redeemed at their principal amount together with interes

s whose Notes are in bearer form should present and surrende Noteholders whose Notes are in bearer form should present and surrender their Notes (logether with all unmeaured coupons) for payment, in accordance with Condition 7(a) of the Notes at the specified office of either Paying Agent Islad below on or before the date lised for redemption. Notes have Notes are in registered form should surrender their Notes for payment in accordance with Condition 7(b) of the Notes at the specified office of either of the Transfer Agents listed below on or before the three final forms and the secondarios.

Chese Menhattan Bank Luxembourg S.A. 5 Rue Plaets, L-2338 Luxembourg

The Chase Manhattan Benk 4 Chase MetroTech Center Brooklyn, NY 11245 USA

The Chaze Manhattan Sank for and on behalf of Sanco de Soston S.A.

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NEW INTERNATIONAL BOND ISSUES

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arrives in a week'e time.

that takes place once rates Preseure has been increased by a general strike Second, the discounted against a policy of fiscal price margin on the threetightening which brought year notes was only 274 the country almost to a basis points over Treasuries, standstill last Thursday. compared with 330 for benchmark Argentine paper Mr Peter West, economic adviser for WestMerchant immediately after the resig-

nation last month of Mr Bank, says: "Argentina is caught between a rock and a hard place. Its deficit is \$1bn greater than targeted under activity and employment." Nevertheless, debt prices

that global markets remain that Argentina will have to convinced of an npward come up with a fiscal packdesire for high yielders. Argantine Bredy bonds trend in US interest rates. age early this week that will FRNs offer protection pleasa tha International quoted in London rose 25

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LIDENBOURG FRANCS

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Monetary Fund when it basis points to to 77.81 cents in the dollar, up nearly four cents since the beginning of the month.

Mr Jerome Booth, head of emerging market research at ANZ, remains confident about prospects for Argentine bonds - the worst performers in the Brady market thie year. "Mr Cavallo's demise has already started to provide benefits, giving rise to e more realistic the IMF programme, but it assessment of the current needs to boost economic economic predicament and the promise of greater co-operation from Congress. reflected the continued The combination could soon

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## The Financial Times plans to publish a Survey on

Reinsurance

on Monday, September 9.

This survey will report on the most significant issues facing the industry, particularly the effect of downward pressure on rates and the knock-on effect this is having on underwriters. It will also provide readers with a regional view of the market, covering Lloyd's of London, Continental Europe, the USA, the developing markets and a report on the rapid growth of Bermuda as a host to some of the industry's major participants.

> For further information please contact William MacLeod

on Tel: 0171 873 3688 Fax 0171 873 4296 FT Surveys

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Notice of Early Redemption

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TRANSFER AGENT AND REGISTRAR

PAYING AGENT The Chase Haushattan Bank Woolgate House Coleman Street London EC2P 2H0

12th August, 1996

### The United Mexican States Floating Rate Notes Due 2000

The applicable rate of laterest for the period August 12, 1996, through and invincing February 11, 1997, to be paid on February 12, 1997, a period of 184 days, is 6,50%. This rate is 13/19% above the offered rate for three-month deports in U.S. Dollars which appeared on the display designated as the Ericht Buckers Association's Interest Settlement Late (5,6875%) as quoted on the Dow nes/It invate Minnikur® as Televale Survey No. 5750 as at 11:00 (Lond

on Angust 5, 1996.

The above rate equates to an interest payment of UED 33.22 per UED 1,000.00 in principal amount of Notes.



BANCO NACIONAL DE MEXICO, N.Y. NEWYORKAGENCY

The Board of Director

The Emerging Markets Strategic Fund

Société d'investissement

à capital variable

69, route d'Esch, Luxembourg

R.C. Luxembourg B-28252

DIVIDEND ANNOUNCEMENT

Notice is hereby given to the shareholders of The Emerging Markett

Strategic Fund that for the fiscal year ended December 31, 1995, the

SICAV will pay on August 14, 1996 a dividend of USD 11 to the

stareholders on record on August 12, 1996.

Shares are traded ex-dividend as from August 12, 1996.



August 5, 1996

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Quarterly Turnover

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Turnover

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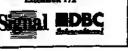
Notice is hereby given that for the Accrusi Period from August 5, 1996 to November 6, 1896 the Floating Rate Notice will carry an interest rate of 7,6875% per conum. The interest payable on November 6, 1996 will be \$19.00 principal amount of Notice.

August 5, 1996

By: Deutsche Bank AG 🗾 Near York Bra.

Payment of the interest due October 23, 1996 and reimburse-

For information, call 44 + 171 626 6101



Floating Rate Notes due 2001

TVO

NOTICE OF EARLY REDEMPTION

**Teoflisuuden Voima Oy** FF 500,000,000 Retractable Bonds due 2001

Notice is hereby given to the holders of the Bonds (the «Bondholders ) that, pursuant to paragraph Prepayment at the Option of TVO clause a, of the Terms and Conditions of the Bonds, the Issuer will prepay all the Bonds remaining outstanding, at their principal amount, on the next Interest Payment Date, October 23, 1995.

ment of the principal will be made in accordance with the Terms and Conditions of the Bonds. Interest will casse to accrue on the Bonds as from Octo-

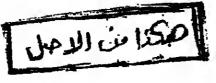
Luxembourg, August 12, 1996 The Fiscal Agent Kredistbank S.A. Luxembourgsoise

USD 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED CRIE 113/94-8 SOCIETE GENERALE AUSTRALIA LIMITED USD 20,500,000 INDEX NOTES DUE 09/08/99 ISIN CODE: XS0051984887

Next payment date: August 09, 1996 Coupon nr: 2 Amount: USD 6537.36 for the denomination of USD 100 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST LUXEMBOURG

For the period August 09, 1995 to August 09, 1996 the new rate

has been fixed at 6,5373571% P.A.



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3500m FRY

STOCK INDICES

CURRENCIES	AND MONEY	
Aug 9 Closing Change Bullotter Day's Mid One month. Three mouths One war Back of Aug 5	PD AGAINST THE DOLLAR  Ski/cifer Day's mid One month Three months One year JP Month	WORLD INTEREST RATES MONEY RATES
Europe Austria (Sch) 16.1181 -0.0696 118 - 244 16.2263 19.1105 16.0866 2.3 16.0118 2.6 - 105.6 Austria (Sch) 16.1181 -0.0696 118 - 244 16.2263 19.1105 16.0866 2.3 16.0118 2.6 - 105.6 Austria (Sch) 10.4022 -0.0442		August 5 Over One Tiree Sk: One Lomb. Dis. Hepo night month miths miths year inter: rate rate
Denmark (Dic) 8.8832 -0.0823 S91 - 672 8.9150 8.890 47.1291 2.4 48.8991 2.4 48.1491 2.3 107.5 Beigum (SF) 30.4770 -0.116 Finland (FM) 6.8946 -0.043 S91 - 672 8.9150 8.890 8.895 1.9 8.895 1.5 8.7213 1.6 108.2 Denmark (Dic) 5.7200 -0.0225 Finland (FM) 6.8946 -0.043 S74 - 017 6.9480 6.8940 6.8942 0.8 6.8821 0.7 - 88.1 Finland (FM) 4.4486 -0.0275	9 720 - 820 80.5920 80.3350 80.422 2.2 80.307 2.2 29.767 2.5 106.1 185 - 215 5,7400 5,7145 5,7125 1.8 5,6955 1.7 5,5265 1.6 107. 1458 - 533 4,4762 4,4380 4,4431 1.8 4,4311 1.7 4,3856 1.4 85.	) week ago 314 32 32 32 376 7,00 2,50 - 3 France 32 374 32 42 43 3,55 - 4,75 0 week ago 32 376 376 322 43 3,55 - 4,75
Generally (DNG) 2.2907 -0.0097 897 - 917 2.9061 2.2894 2.2863 2.3 2.2772 2.4 2.2395 2.3 10.9.7 Germany (DNG) 1.4784 -0.0081 freiend (E) 0.9627 -0.007 417 - 714 366.391 386.275 - 57.3 Gracos (DN) 228.570 -0.815 (RE) 0.9627 -0.007 521 - 632 0.9621 0.9620 0.9622 0.8 '0.961 0.7 0.9685 0.8 99.4 Instand (IC) 1.6087 +0.0011	.790 - 787 1.8848 1.4770 1.4759 2.0 1.4701 2.2 1.4419 2.5 1084 1520 - 820 237.220 238.150 238.245 - 8.3 241.595 - 8.6 255.57 - 8.0 885 080 - 103 1.8144 1.9075 1.5102 - 0.4 1.6111 - 0.4 1.8028 0.4	France 34 34 32 41 46 3.55 - 4.75 week ago 34 34 34 35 4.50 2.50 3.30 wask ago 34 34 38 34 34 4.50 2.50 3.30 wask ago 34 34 38 34 4.50 2.50 3.30 wask ago 34 35 52 52 52 64 - 6.25 week ago 51/6 52 52 52 52 52 - 8.25 8.88
Luxembourg (Fr) 47:2241 -0.1869 072 - 410 47:5110 47:0800 47:1291 24 48:3981 24 48:1541 23 107.5 Luxembourg (Fr) 30:4770 -0.118 Notherlands (FR) 2.5711 -0.0714 698 - 724 2.5871 2.5895 2.585 2.5 2.533 2.8 2.5053 2.5 107.7 Netherlands FT 1.5893 -0.0072 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8644 9,9014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,9654 9,8014 9,8014 1.0 9,8944 1.0 9,8008 1.1 98.5 Norwey (NO) 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 176 9,0009 -0.0224 022 - 17	960 - 080 1523.75 1514.85 1524.95 -3.7 1533.1 -3.4 1555.85 -2.3 75.1 720 - 820 30.5620 30.5850 30.424 2.1 30.3175 2.1 26.837 2.1 1062 588 - 598 1.6631 1.6576 1.658 2.4 1.6488 2.5 1.6171 2.5 1063 918 - 993 6.4185 6.3565 8.3665 0.8 6.3571 0.5 6.3506 0.7 673	week ago 8% 9 84 84 - 8.25 8.73 Netherlande 22 22 34 34 3% - 3.00 3.30
Spain (Ptg) 195.105 -0.278 044 - 186 196.074 194.978 195.365 - 1.8 195.88 - 1.8 197.28 - 1.1 80.5 Spain (Ptg) 10.3990 +0.0154 006 - 178 10.3948 10.3948 10.3993 0.0 10.3994 0.0 10.3993 0.0 86.4 Sweden (SK) 1.8653 -0.0113 543 - 683 1.8901 1.8863 1.8903 0.0 10.3994 0.0 10.3993 0.0 86.4 Sweden (SK) 5.6531 +0.0103 0.0 86.4 Sweden (SK) 5.6531 +0.0103 0.0 10.3994 0.0 10.3995 0.0 10.	7 040 - 140 152.550 152.010 152.605 - 2.5 152.965 - 2.4 155.14 - 2.0 95.1 900 - 980 126.220 125.720 126.165 - 2.4 126.595 - 2.2 126.135 - 1.9 80.3 480 - 572 6.6636 6.5241 8.6822 0.2 6.6548 - 0.1 6.6286 0.4 88.4	weekago 194 214 224 214 500 1.50 - US 51 51 52 52 52 - 5.00 -
ECU - 1.2213 -0.0019 207 - 219 1.2269 1.2197 1.22 1.3 1.217 1.4 1.2037 1.4 - ECU - 1.28860 - 1.28860 - 0.0031	084 - 042 1.2100 1.2029 1.2008 3.5 1.1928 3.7 1.1593 3.7 112.4 482 - 498 1.5538 1.5488 1.5488 0.5 1.5485 0.3 1.548 0.0 844 884 - 581 1.2718 1.2871 1.2895 -0.7 1.2712 -0.8 1.28 -0.8	
Carredon Name Part 1255 - 271 2.1818 2.1246 2.1256 0.4 2.122 0.8 2.1138 0.6 83.8 Carredon (CS) 1.5723 +0.001	985 - 987 0.9996 0.9984	Interbenk Foling - 58 58 58 5%
USA (\$) 1.5495 -0.0001 492 - 498 1.5536 1.5486 1.5489 0.5 1.5486 0.8 1.549 0.0 96.1 USA (\$)	170 - 220 7.5220 7.5020 7.681 -25.8 7.885 -18.4 9.8295 -28.1 - 97. 839 - 847 1.2655 1.2658 1.2662 -1.8 1.2667 -1.7 1.2084 -1.9 92.6	ECU Linked Ds - 4% 4% 4½ 4½ work ag - 4% 4% 4½ 8DR Linked Ds - 3% 3% 3½ 3%
riorig Arring Prins 11.98917 +0.0027 886 - 928 12.0204 11.9849 11.9816 0.8 11.97 0.7 11.9502 0.5 - Hong Keng (-NS) 7.7378 +0.0023 india (Pa) 51.7378 +1.0023 (NS) 11.9891 11.9	378 - 388 7.7385 7.7385 7.7385 -0.1 7.7403 -0.1 7.7673 -0.4 000 - 000 - 50820 35.4500 35.85 -5.0 36.155 -5.1 37.625 -5.4 110 -448 3.1470 3.1400	8 LIBOR Interbenk fixing rates are offered rates for \$10m quoted to the market by four selections buries at 11am each working day. The banks are Bankses Trust, Bank of Tokyo, Burdays and National Westmaney.
Melaysia (MS) 3.8595 -0.0004 560 - 610 3.8698 3.8573 Melaysia (MS) 2.4908 -0.0001 New Zeeland (MZS) 2.2514 -0.0014 501 - 528 2.2573 2.2500 2.2564 -2.7 2.2658 -2.8 2.2997 -2.1 107.6 New Zeeland (MZS) 1.4529 -0.0008 Philippines (Peac) 40.5892 -0.0025 271 - 513 40.7250 40.4474 - Philippines (Peac) 23.1950 -	903 - 913	
Singapore (SS) 2.1938 -0.0034 926 - 950 2.2025 2.1914	507 - 512	Aug 9 Short 7 days One Three Stx One term notice month morths months year
Treatment (Sit) 99:2124 -0.006 025 - 223 39:3300 39:1970 - Treatment (Sit) 25:3065 -0.0035  1 Revise for Aug II. Bidfoller appeads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but 1 SOR specific process.	800 - 700 27.5150 27.4500 27.47 -0.2 27.478 -0.1 050 - 080 25.3280 25.3040 25.4052 -4.7 25.609 -4.8 26.4918 -4.7 is in the Dollar Spot table show only the last three decimal places, Forward rates are not clinicity nt interest rates, UK, televic & ECU are quoted in US currency, J.P. Morgan nominal indices Aug 8	Belgian Franc 315 - 345 344 - 345 345 - 345 347 - 344 347 - 345 345 - 345 345 345 345 345 345 345 345 345 345
MIS-clies in both this and the Dollar Spot tables derived from THE WIMPEUTERS CLOSING SPOT PATES. Some values are spunded by the F.T. Sees awards 1990-100.		French Franc 3º - 3º
CROSS RATES AND DERIVATIVES  EXCHANGE CROSS RATES	FT GOLD MINES INDEX	Can. Dollar 4½ - 4½ 4½ - 4½ 4½ - 4¼ 4½ - 4¼ 4½ - 4½ 4¾ - 4½ US Dollar 5½ - 5½ 5½ - 5½ 5¾ - 5½ 5½ - 5½ 5½ - 5½ 5½ - 5½
Aug 9 RF: DK: FF: DM E: L FI NK: Es Pts SK: SF: 2 CS S Y Equ Belgism (BF:) 100 19.77 16.58 4.852 2.039 4969 5.445 20.99 4992 4132 21.83 3.950 2.118 4.602 3.280 354.7 2.586 Denimerk (DK:) 53.28 10 8.836 2.585 1.067 2658 2.901 11.18 265.9 220.1 11.63 2.104 1.128 2.399 1.748 189.0 1.378	Acg elnes Mit Lay Gold Bross div P/E 52 week  9 28/12/95 Sto Micro yield % ratio High Low  Sold Minesteletri(21) 2043:29 +8.8 82.86 100.80 1.54 — 2720.72 1722.53	taken Lira 9 & -9 & 9 & 9 & 9 & 9 & 9 & 9 & 9 & 9
France (FF) 90.30 11.32 10 2.926 1.230 3009 3.283 12.65 301.0 249.1 13.17 2.382 1.277 2.718 1.978 213.9 1.560 Germanty (DM) 20.51 8.685 3.418 1 0.420 1028 1.122 4.326 102.9 85.16 4.500 0.814 0.436 0.928 0.676 73.11 0.533 Ireland (F) 49.03 9.204 6.132 2.379 1 2447 2.670 10.29 244.8 202.6 10.71 1.937 1.038 2.206 1.609 173.0 12.68 Imby (L) 2.004 0.376 0.332 0.007 0.041 100 0.109 0.421 10.00 8.281 0.436 0.079 0.042 0.090 0.066 7.110 0.052	## Regional Indices Advisor (13) 2695-34 +4.9 14.06 26.59 3.04 37.07 3553.86 2272.74 Australesia (7) 2362-06 +1.0 6.48 12.26 2.39 22.71 2927.34 2123.50 North America (11) 1632-69 +8.6 32.32 51.14 0.72 66.48 2186.39 1486.94	,
Networker (F) 18.37 3.447 3.046 0.891 0.375 918.4 1 3.855 97.88 75.88 4.010 0.725 0.388 0.827 0.802 68.15 0.475 Norway (NS) 47.85 8.943 7.902 2.312 0.972 2377 2.584 10 237.8 198.9 10.40 1.882 1.009 2.145 1.583 168.0 1.232 Portugui (Es) 20.03 3.760 3.322 0.972 0.409 999.8 1.091 4.204 100. 82.77 4.374 0.781 0.424 0.902 0.657 71.08 0.518	Copyright, The Premosal Times Lineted 1976, "FT Gold Mines Index" in a leadsmark of The Francist Times Lineted, Figures in brockets show number of companies. Basis US Dollars. Basis Values: 1000.00 37/12/92, † Partial, Maries Closed 9/9/98; South Africa.  LONDON RECENT ISSUES: EQUITIES	THREE MONTH EURODOLLAR (MM) \$1m points of 100%
Spein         (Pta)         24.20         4.543         4.014         1.174         0.494         1208         1.218         5.079         120.8         100.         5.284         0.958         0.513         1.090         0.794         85.85         C.826           9weden         (SKr)         45.80         8.597         7.596         2.222         0.934         2285         2.494         8.612         228.6         189.2         10         1.809         0.970         2.062         1.502         182.5         1.185           Switzerland         (SFr)         25.32         4.752         4.199         1.299         0.519         1263         1.379         5.314         1264         10.48         5.528         1         0.831         88.81         0.855           UK         (S)         47.22         8.863         7.831         2.291         0.893         2.896         2.571         9.610         238.7         195.1         10.31         1.885         1         2.126         1.549         167.5         1221	issue Amt Mic. Close price paid cap 1996 price Net Div. Grs P/E p up (2m) High Low Stock p +/- div. cov. yid net	Open         Set price         Change         High         Low         Est. vol. Open int.           Sep         94.42         94.44         +0.01         94.46         94.42         44.367         388,949           Dec         94.19         94.24         +0.04         94.27         94.19         65,382         448,769           Mer         94.09         94.15         +0.06         94.17         94.09         82,298         285,977
Canada (CS) 22.21 4.169 3.883 1.078 0.453 1106 1.208 4.661 110.9 81.77 4.849 0.877 0.470 1 0.729 78.79 0.574 US (S) 30.48 5.722 5.056 1.479 0.822 1821 1.860 6.306 152.2 126.0 6.656 1.204 0.646 1.372 1 108.1 0.788 Japan (Y) 28.19 5.291 4.675 1.368 0.575 1407 1.885 5.916 140.7 118.5 6.155 1.113 0.597 1.269 0.925 100. 0.728	\$70 F.P. 15.4 78 72 †AND Intl 72	III US YREASURY BELL PUTURES (MM) \$1m per 100%
Ecu 38.66 7.257 6.412 1.876 0.789 1929 2,105 8.114 193.0 159.7 8.442 1.527 0.818 1,741 1.268 137.1 1 Danish Kroner, French Planc, Nonwegler Kroner, and Swedish Kroner per 10; Belgien Franc, Ven, Escudo, Lina and Peesta per 100.	F.P. 880.5 E20]2 £19]] Atamox E10]3 — — — — — — — — — — — — — — — — — — —	Sep         94.94         94.94         +0.02         94.98         94.94         271         7,534           Dec         94.83         94.84         +0.04         94.86         94.83         23         1,701           Mar         94.73         94.72         +0.04         94.73         94.71         48         613           All Open Internat Sgs, are for previous day
E D-MARK FUTURES (MM) DM 125.000 per DM	\$71 F.P. 18.2 111 78 (Digital Animators 110 -1 \$3 F.P. 1.07 4 (Digital Animators 110 -1 \$145 F.P. 41.8 198 148 (Elec Patal Sys 198 425 5 F.P. 2.62 53 41 (Fraymonood 48	
Open Set Price Change High Low Est,vol Open Inc. III Pround its New York Sep 0.6750 0.6779 +0.0026 0.6785 0.8750 11,616 69,590 Aug 0Close Prev. close FT GUIDE to WORLD CURRENCIPS	183 F.P. 22.2 199 169 1147 Entern 199 +10 84.6 \$65 F.P. 18.2 65 65 Hombros Son Asin C 65 §100 F.P. 24.2 38 64 House Gut 1000 C 97	Dicters of the
Dec (1.5808 0.6817 +0.0026 0.5822 0.6808 625 3.240 £ spot 1.5505 1.5485 The FT Guide to World Currencles Mar = 0.6869 +0.0026 = 21 633 1 ath 1.5489 1.5489 table can be found on the Markets 5 ath 1.5482 1.5480 page in today's existon.	\$12 F.P. 0.60 15 12 11.80 Numbers 12 \$ F.P. 0.16 6 2 11.80 Numbers Whs 5 5 F.P. 0.26 1½ 11.01 Numbers Whs 1½ 28.7 \$170 F.P. 36.2 187½ 184 Plasmon 185 -1 28.7	RIGHTS OFFERS Issue Amount Latest price paid Restun, 1996 Closing p up date High Low Stock price p cor-
Sep 0.8268 0.8331 +0.0039 0.8340 0.8267 10,645 36,615 Dec 0.8390 0.8368 +0.004 0.8465 0.8388 242 2,268 May 0.8465 0.8469 +0.004 0.8465 0.8465 1 101	F.P. 0.38 2 1½ Prontum Foods Wis 1¼	100 NB 15/8 Bpm 1pm Inspirations 7.796 Pf 7pm
IN JAIPANIESE VINN PUTUINS (MAN) Yen 12,5 per Yen 100  UK INTEREST RATES  Open Set price Change High Low Estay) Open ing LONDON MONEY RATES	\$ F.P. 6,28 36 31 Schroder Em Wts 36	68 NB 28/8 3pm 2pm Jarome (5) 2pm 250 NB 16/8 12pm 10pm Lorien 12pm +2 250 NB 30/8 B4pm 54pm Scottish Power B4pm +2 125 NB 28/8 13pm 12pm Shaftestoury 13pm +1 pm primitum.
Sep 0.9284 0.92830.0001 0.9398 0.9270 17,689 64,619 Aug 9 Over 7 days One Three Six One Doc 0.9402 0.93980.0001 0.9414 0.9397 1,161 5,115 night notice month months months year 1,161 0.9525 0.9513 -0.0001 0.9525 0.9525 15 130 https://documents.com/reserving 54 - 3 512 - 52 512 - 52 512 - 54 513	\$525 F.P. 101.3 525 472 Theraptic Arabd 473 -2 F.P. 4.83 125 120 (West 175 Entre 125 126 Abstraction of all addresses Markets in the London State Service notes. For a 1x8 explanation of all other symbols please rates to The London State Service notes.	but beautiful
## Straing COm - 58 - 54 58 -	Company bears land in the District order Stands town	
Dec 1,5522 1,5484 -0,0002 1,5512 1,6478 55 1,251 Local authority deps. 51 51 51 51 51 51 51 51 51 51 51 51 51		Shir Etsu
Up to 1 1-3 3-6 6-9 9-12 month position months promites promites		Shin-Etsu Chemical Co.,Ltd.
Strike Price Aug Sep Oct Aug S	FUTURES OPTIONS BERKELEY FUTURES LIMITED SE FOREX SE DOVER STREET, LONDON WIX SRB	(the "Coupuny")
1.590 1.93 2.18 2.51 0.02 0.25 0.56 Pregret House Black Plate Spot Soon Aug 1, 1996 1.540 1.04 1.46 1.51 0.02 0.55 0.92 1.550 0.37 0.89 1.27 0.85 0.97 1.37 1.550 0.09 0.49 0.85 1.07 1.57 1.95 BANK OF ENGLAND TREASURY BILL TENDER	FRIVATE CELEDATS  TEL: 0171 629 1133 FAX: 0171 495 0022	U.S. \$30,000,000 3 per cent. Convertible Bonds Due 2000
1,570 0.01 0.23 0.53 2.30 Aug 9 Aug 2 Aug 9 Aug 2 Previous day's vol., Cells 4,840 Pute 5,360. Prev. day's open inc., Cells 167,879 Pute 310,330 Bills on offer 5000m 5900m for accepted rate 5,5953% 5,5552% Total of applications £1802m 21672m Aug. cals of decount 5,5607% 5,5540%	Union FUTURES-OPTIONS-FOREN  24 HRS Contact: Duncan Dynn	(the "Bonds")  Pursuant to Clause 7(E) of the Trust Deed dated 4th Maych, 1985 and Condition 12 of the Trusts and Conditions of the Bonds, you are hereby notified that the
Total allocated 2500m 2500m Average yets 5.5443% 5.6727% Miss. accepted bid 256.505 256.515 Ofter at ment sension 2500m 25000m 2500m 25000m 2500m 25000m 250	Limited https://www.textor.com/markets/cst/	Company has issued U.S. \$500,000,000 3 3/8 per cent. Notes due 2000 with Warrams on 8th August, 1996 (London time) and also Yen 50,000,000,000 convertible debestures due 2005 on 8th August, 1996 (Japan time) at the
BANKING DEPARTMENT August 7 decrease for week	Affordable real-time equities, futures, options and news	initial Exercise Price and Conversion Price of both Yen 1,917 per share which is less than the respective current market prices per share of Yen 2,155.0 and Yen 2,112.7 calculated as provided in the Trust Deed.
Light   Ligh	FREEPHONE 0800 321 321 FAX 0171 398 1001	As a result of the issue of the above Notes with Warrants, the Conversion Price of the Bonds is adjusted as follows:  (1) Conversion Price before adjustment: You 1,128.6
Reserve and other accounts 3,291,081,836 -542,174,123 Adem & Company 5.75 Donzen Lawrie 5.75 Office Bookers 5.75 Aged Trust Bank 5.75 Exper Bank United 6.75 Royal Bit of Scribt	Futures & Options	(fi) Conversion Price after adjustment: Yen, 1,119.0 (fiii) Effective Date: 8th August, 1996 (Japan time)  Furthenmore, as a result of the issue of the above convertible debentures, the
Advence and other accounts 2,300,916,738 -1,100,305,919 Bank of Barods 5.75 Grobenk 5.75 Scottch Widows Bank 5.75 Premies, adjulpment and other secs 2,314,216,449 +1,447,554,577 Bank of Cyprus 5.75 Habb Bank AG Zunch 5.75 United Bank of Kumati 5.75	TEL 0171 417 9720 FOR TURN	Conversion Price of the Bonds is adjusted as follows:  (1) Conversion Price before adjustment: Yen 1,119.0  (ii 1 Conversion Price after adjustment: Yen 1,112.2
Coin 134,005 +6,152 Bank of instant 5.75 Ottombre Bank 5.75 Unity Toust Bank Pic 5.75  8,502,508,588 +582,501,763 Bank of India - 5.75 Herbible & Gun by Bk 5.75 Western Toust 5.75 Bank of Scotland 5.75 Ottombre Bank 5.75 Western Toust 5.75 Bank of Scotland 5.75 Ottombre Bank 5.75 Volument Bank 5.75 Volument Bank 5.75	FAX 0171 417 9719 7 20 20 20 20 20 20 20 20 20 20 20 20 20	(tii) Effective Date: 9th August, 1996 (Japan time)  Shin-Etsu Chemical Co.,Ltd.  By: The Dat-Ichi Kangya Bank, Limited
Limbilities Limbilities Notes in circulation Notes in Banking Department  20,892,585,009 +13,882,048 +13,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,048 -4,882,0	Margined FOHEX Disclosed Commissions The rate we trade is the rate you get Indicate The Part of the Pa	As Principal Paying Agent  Dated: 12 August, 1996
Assets The Co-operative Bank 5.75 Megna; Bank Ltd 5.75 * In administration Char Government securities 11,833,720,549 43,700,142,535 Couts 8 Co 5.75 Megna; Bank Ltd 5.75 * In administration Country C	→ A. A. COSTO, C. A. A. COSTO, A.   TEL 0171 638 2028	
20,900,000,000 +10,000,000 Cyprus Popular Bank 8.75 Negl-Vestminster 5.75	CALEGORY OF STATUTES MARKET DATAKIT FROM \$678  O A half year of 1984, market; Sed-of-Day quale merits O UP have barrier O MEXING TO go of daily marcel infects date an O II Short Early SuperClarks O MEXING TO go of daily marcel infects date an O II Short Early Philos Statement	U.S. \$100,000,000
UK GILTS PRICES	O MESSAGES, 77 ps of daily nament latence data an O MS Grade Emi-of-Day Prior December 40 major majors majors and the Massages of the Major majors and Massages of the Major Market World, 72 Final Street, Landon EDSY 187. Tel: +44 (0) 771 842 4063	Antistation and Schoolistramen- Franciscungs-Aktiongeschischeft de France
With Accept indexest Last City	WANT TO KNOW A SECRET?  The LD.S. Gann Seminar will show you how the markets REALLY work. The amazing tracing techniques of the legendary W.D. Gann can	U.S. 5280,500,800 Generative Floating Rate Notes Due 2005 Votes dec 1976
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Cours 9 2 pc 7005	Set real-line quates, Ferex rates and nows headlines on your PC with	NOTICE IS HEREBY CIVEN, that D.K. Duggins and J.J. Gleave, of Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD, were appointed Joint Administrative Receivers of the above named  Manufacture in the position of the position of the special control of

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Registered No: 861663 NOTICE IS HEREBY CIVEN, that D.K. Duggins and J.J. Gleave, of Arthur Andersen, I Victoria Square, Birmingham B1 1BD, were appointed Joint Adminstrative Receivers of the above named company on 31st July 1996 and again on 1st August 1996, by H.F.C. Benk plc.

D.K. Duggins, J.J. Gleave, Joint Administrative Receivers.

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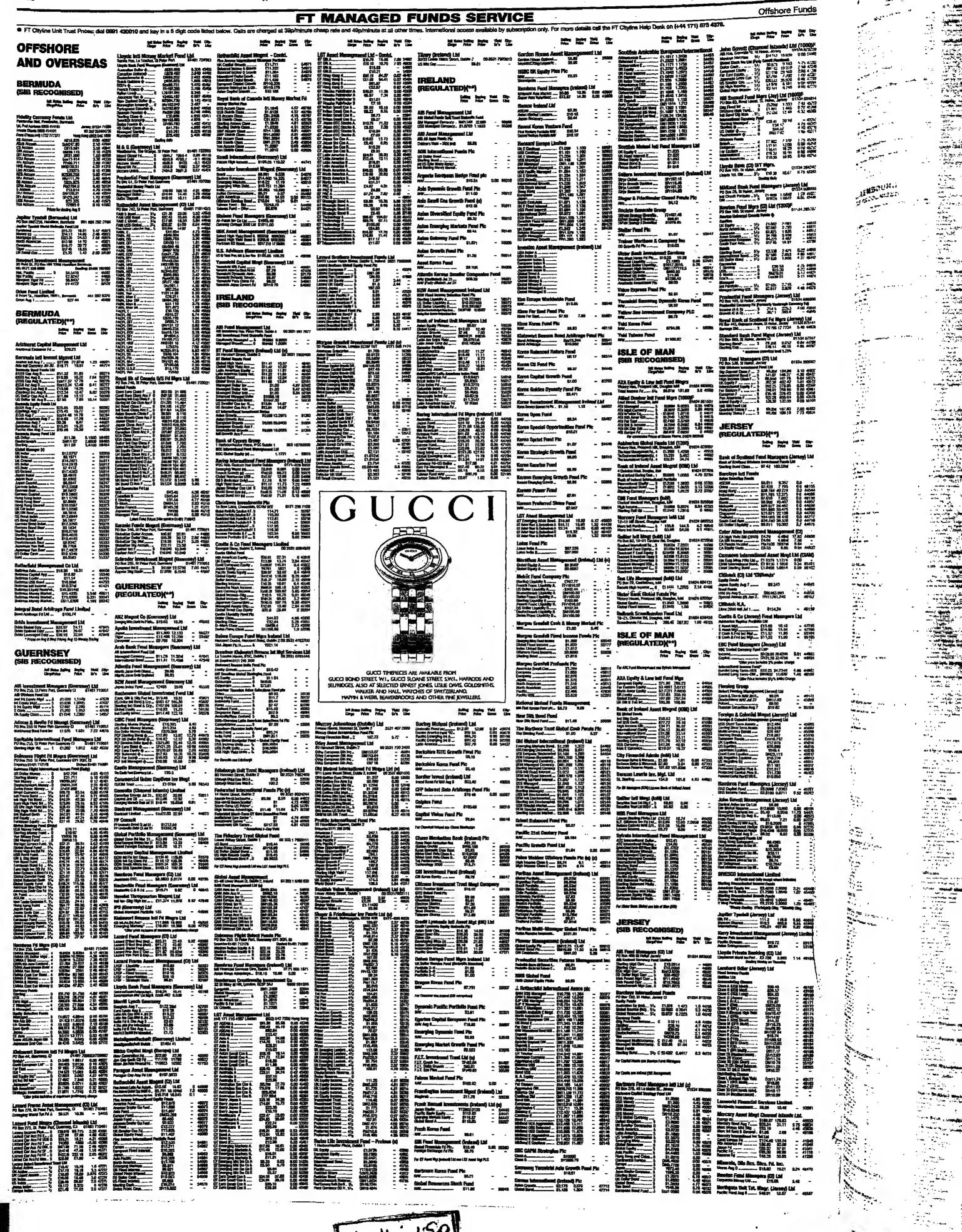
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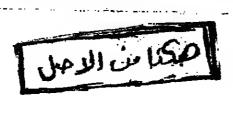
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#### MONDAY

Republican party meets

The Republican party convention in San Diego, California, gathers to nominate Bob Dole as its presidential candidate and Jack Kemp as his running mate. No surprises expected here, but there could be fireworks on day two over the issue of abortion. with social and religious conservatives pitted against pro-choice Republicans. Speakers on the opening night, which is devoted to party unity, include Colin Powell, the retired general,

Congresswoman Susan Molinari of New York and George Bush and Gerald Ford, the former presidents. Day two sees the adoption of the party platform, and Wednesday bas the ritualistic vote for the presidential candidate. The climax comes on Thursday with voting for the vice-presidential candidate and acceptance speeches by both members of the ticket. Then red, white and blue balloons descend from the rafters and everyone goes off to fight President Bill Clinton, whose coronation comes two weeks later in Chicago.

#### Rao fights summons

The shaky bold of P. V. Narasimha Rao on the leadership of the Congress party faces a challenge as India's supreme court begins bearing his appeal against a summons issued by another Delhi court. If his appeal fails, the former prime minister will have to stand trial in a fraud case, scheduled to start on August 17. An adverse verdict could force his replacement as the head of the fractious party, which was voted out in May elections.

Talks on Brazil car duties Consultations begin in Geneva between Brazil, Japan, the EU, the US and South Korea on Brastlia's restrictions on motor vehicle imports. Brazil introduced 70 per cent duties on vehicle imports last year, but allows manufacturers operating in the country to import vehicles at duties of 35 per cent. The measure was designed to encourage investment but Brazil's trading partners saw it as discriminating against other manufacturers.

Public holidays Thailand, Chad, Zimbabwe,

### TUESDAY

Castro's 70th birthday



Fidel Castro. president of Cuba, celebrates his 70th hirthday. Although Mr Castro is sverse to a national celebration, the date is expected

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to be marked by a number of smaller events. The veteran leader appears to maintain o punishing schedule. although sometimes looks tired when



Loyal show; activists in Indonesia yesterday called for tough action to quell political unrest. President Suharto addresses the nation on Friday

appearing in public. Tha question of succession is not publicly discussed. but Mr Castro is increasingly delegating duties to younger officials.

### Ukraine border talks

Ukraine and Russia restart negotiations on fixing their border after a long delay caused by the Russian elections. Kiev is anxious to resolve the border issue, as well as differences over the division of the 300-vessel Black Sea fleet, Russia bas been uneasy about acknowledging Ukraine's borders to include Crimea. where the port of Sevastopol serves as the fleet's main base.

#### MPs report on handguns

The UK House of Commons' all-party home affairs select committee publishes its report on bandguns in the wake of the Dunblane massacre in February. Leaked reports have shown that the Conservative majority on the committee has rejected the idea of a ban. Ministers have indicated they are likely to overlook the findings as they await the results of the official investigation by Lord Cullen.

**Public holidays** Tunisla, Central African Republic.

WEDNESDAY 14

Pakistan opposition rally Pakistan celebrates its 49th · independence anniversary amid demands from the country's opposition parties that Benazir Bbutto, the prime minister, step down. The opposition has called an anti-government meeting at the port of Karachi. A march on Islamabad, the capital, is also planned but no dates have been set. The government has faced criticism since it introduced tough taxes in June.

### British health scrutinised

The National Audit Office, the UK public spending watchdog, issues a report monitoring progress in tha government's Health of the Nation initiative. The areas include coronary heart disease, cancer, mental illness, Aids and sexual bealth, and accidents. The report is expected to show that several targets have been missed.

#### Nuclear weapon findings

The Canberra Commission on the elimination of nuclear weapons is dua to deliver its final report, detailing what steps could be taken to enhance disarmament, The commission was set up last year by Australia's former Labor government, but its 17 members are international figures. They include Michel Rocard, the former French prime minister; Robert McNamara, the former US secretary of defence; and Professor Roald Sagdeev, the Russian physicist who was President Mikhail Gorbachev's science adviser.

#### Bosnian poll summit

Warren Christopber, tha US secretary of state, meets the presidents of Serbia, Croatia and Bosnia-Hercegovina in Geneva for a one-day summit in an effort to improve conditions for Bosnian elections on September 14.

Statistics to be released this week

Day

UK rates talks published The UK Treasury will publish the minutes of the July 3 meeting on

ECONOMIC DIARY

who defected to the ANC in 1989, has admitted his part in the killing and has requested an amnesty from tha Truth and Reconciliation Commission, which has the power to pardon apartheid-era crimes in return for a public confession. Mr Coetzee's lawyer has said the decision to prosecute could deter others from confessing.

### Greeks make pilgrimage

Tens of thousands of Greeks arrive on the Aegean island of Tinos to celebrate the Feast of the Assumption. Devout pilgrims make their way uphill on hands and knees from the harbour to the church of Panayia Evangelistria to light a candle at the icon of the Virgin Mary, which has a reputation for miraculous cures. The day is a public boliday in most of southern Europe.

#### Japan honours war dead

On the 51st anniversary of the Japanese surrender that ended the second world war, several Japanese cabinet ministers make their controversial annual pilgrimage to the country's main shrine to the war dead. The Yasukuni shrine honours the souls of, among others, executed war criminals. Ryutaro Hashimoto, the prime minister, visited the shrine two weeks ago, becoming the first prime minister in more than a decade to do so. The move earned him the swift condemnation of other Asian governments, most notably China.

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The Foxtrot

chess match

held at the

International, a

London Hilton

pits the best

women chess

former world

players against

a men's team of

interest rates between Kenneth Clarke,

the chancellor, and Eddie George, the governor of the Bank of England. This

meeting followed Mr Clarke's decision

a month earlier to cut rates against the

scrutinise the text for indications that

the Bank's worries were allayed in the

following weeks, although the Bank's quarterly inflation report last week

suggested its views were unchanged

IAAF grand prix meeting, Zurich.

Women chess challenge

champions and challengers. Although

the legendary Boris Spassky leads the

repeat their victories of 1994 and 1995.

Dirk Coetzee, the former South African

African National Congress. Mr Coetzee,

police captain, goes on trial for the murder in 1981 of Griffiths Mxenge, a

lawyer and ally of the then-banned

Play starts at 2pm daily (to Aug 26).

men, the women are favourites to

Coetzee on trial

Athletics

Public holidays

THURSDAY

Pakistan, Morocco.

wishes of the Bank, Analysts will

Women's British Open, Woburn (to

#### Public holidays

Austria, Belgium, Croatia, France, Lebanon, Luxembourg, Poland, Portugal, Slovenia, Spain, Greece, Italy, Malta, South Korea, Ivory Coast, Chile, Costa Rica, Guatemala, Panama, India.

#### FRIDAY

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Suharto addresses nation

President Suharto addresses the nation to mark Indonesia's 51st independence day, celebrated tomorrow. In the wake of serious political unrest surrounding the government's ousting of Megawati Sukarnoputri, the leader of the opposition Indonesian Democratic party, the country will be looking for an indication of Mr Suharto's view of the affair.

#### Christian bikers meet

The European Motorcyclists for Christ roli into Finland for a weekend rally of prayer, camping and music. The event stands in sharp contrast to a violent feud being waged between rival Nordic biker gangs, as Hell's Angels take on members of the Bandidos gang. A two-year spate of gun and bomb attacks has left six dead and at least 20 injured. By coincidence. European Hell's Angels are holding their own rally in France over the same weekend "It is a blessing that they will be out of the country." said one of the Christian rally's organisers.

### Dominican Republic shift

The Dominican Republic undergoes a significant political shift as Leonel Fernandez succeeds Joaquin Balaguer. the president who has dominated the Caribbean country for most of the past 30 years, Mr Fernandez, leader of the centrist Liberation party, promises extensive economic and administrative reform, but will be hard put to make changes as he has little support in the legislature.

#### **Athletics**

IAAF grand prix meeting, Cologue.

#### Public holldays

France, Belgium, Dominican Republic. Gabon Republic.

#### SATURDAY

#### English football starts



Enlivened by Alan Shearer's £15m world record transfer from Blackburn Rovers to Newcastle United, and by the acquisition of numerous

high-priced foreign stars, England's soccer season kicks off with action in the FA Carling Premiership, for élite clubs, and the Nationwide League. Money is pouring into English soccer, making its Premiership division the most alluring in Europe.

#### Public holidays

Indonesia, Argentina, Gabon Republic.

#### 18 SUNDAY

Reform party nomination Part two of Ross Perot's Reform party convention in Valley Forge.

Pennsylvania, follows a week after part one in Long Beach, California, Votes for the nominees are supposed to have been counted in the intervening week. The Texan billionaire is the odds-on favourite to swamp Dick Lamm, the former Democratic governor of Colorado. Then he will have to decide if he is really going to run again.

### France discusses troop cut

Charles Millon, the French defence minister, meets Volker Rühe, his German counterpart, near the town of Belley in Rhône-Alpes to discuss a range of military subjects including the withdrawal of French troops from German soil, France is expected to reduce the number of its troops in Germany from 20,000 to 3,000 over the next three years.

### Yachting

Teacher's Round Britain Challenge (to September 14/15).

Compiled by Nick Mayhew-Smith. Fax: (+44) (0)171 873 3194.

Other economic news Monday: UK factory gate inflation is expected to have continued falling last month, with raw material prices remaining below the levels of a year ago. Factory gate inflation should have edged consumer price inflation

a little last month, but not by enough to prevent the annual rate of increase rising. US consumer price infla-tion is not forecast to have changed much last month.

ment is expected to have continued falling last month, at a rate little changed from June. The decline in Swedish Thursday: UK retail price

inflation is expected to have edged up a little last month. while US industrial production is thought to bave declined in July.

Mexico is expected to have risen in July, but to have declined a little in Sweden. Government borrowing la expected to have been much lower in the UK last month than in June.

ACROSS

- (6)
  8 Street choir performing without egg producer (7)
  9 Getting round a ban beg for a cushion (7)
  11 Ruthless on leaving Tony managed back in California (10)
  12 One 11 catch fish after 20
- minutes all right! (4)
  13 Cross swords with a crooked dealer? (5)
  14 Hired oboes turned out to
- mouth (8) 18 Poor journalist returned
- foreign money without (5) 20 Fellow and sweetheart fin-
- 21 Secret prisoner I'd taken into stockade (10) 23 Ruler against one sby queen interrupting (7)
  24 Butcher fainted, showing
- 24 Success lanten, showing contempt (7)
  25 Front garden complete with water trough (6)
  28 Distinguishing mark for tags I'm replacing (6)

lower in Spain, but French may have risen in July.

Tuesday: US retail sales
are thought to have dropped

Wednesday: UK unemploy-

industrial production may have slowed in May.

Friday: Unemployment in

1 Australian port being taken round pub's stolen! (6) 4 Monkeys' tempora temporary

12 One'll catch fish after 30

13 Uprising of students and unpaid supporters (9)
15 Feeling nurse needs time be antiquated (3)
18 Flannel caught round went 50% less (9)

17 Offer to pose (7)
19 Time, still, to get in by mid-21 Shut up about forfeit! (5)
22 A dance people will queue up for? (5)

run, perhaps (9)



Aug 12 France Jul consumer price index, prelim** 2.4% 2.3% UK Jul retail price index Y** 2.5% Italy Jun industrial production not;** 7.1% -2.5% US Jul industrial production	Released	Country	Statistic	Forecast	Actual	Floiensed	Country	Statistic	Forecast	Actos
Italy   Jun Industrial production not†**   -7.1%   -2.5%   US   Jul Industrial production   -0.1%	Mon	France	Jul consumer price index, prelim*	-0.1%	-0.1%		UK	Jul RPI ex mortgage int payments**	2.9%	2.8%
Neth Jun retail sales 4.0% 7.1% US Jul capacity untilisation 83.09  UK Jul producer price index input* 0.1% -1.3% Canada Jun, wage settlements inc* 1.0%  UK Jul producer price index input* -2.2% -2.1% Fri Japan Jul money supply (M2 & cash dop)* 3.8%  UK Jul producer price index output* 0.0% -0.2% Aug 16 sapan Jul money supply (M2 & cash dop)* 3.8%  UK Jul producer price index output* 2.3% 2.6% UK Jul pub sector borrowing requirement* 20.1b  UK Jul PP1 ex food, drink, tobasco* 1.7% 2.0% Sweden Jul inemployment rate 8.3%  UK Jul PP1 ex food, drink, tobasco* 1.7% 2.0% Sweden Jul inemployment rate 8.3%  UK Jul Brit Ret Consort retail survey 7.0% US Jul housing starts 1.45m  Canada Jul raw mat price index (advance)* -1.4% -2.6% US Jul building permits 1.45m  Trues US Jul retail sales -0.29% -0.2% Senada Jul con price index, all items not?* 0.1%  US Jul consumer price index 0.2% 0.1% Canada Jul CPI ex food & energy not;* 1.3%  US Jul con price inded, ex food & energy 0.2% 0.2% During the week.  US Jul real earnings 2.2% Jupin Jul retail sales sales* 1.0% 8.2% Jupin Jul retail sales, rest* -1.0%  Wed Japan Jun industrial production, revised† -3.9%  UK Jul unemployment -14.4k -14.3% Germany Jun retail sales; rest* -1.0%  UK Jun unit wages, 3 monthly* 3.1% 3.2% Germany Jun retail sales price index* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun retail sales price index* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun retail sales price index* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun leich potestings* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun leich potestings* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun leich potestings* 0.1%  Sweden May industrial production not?* -0.4% -1.9% Germany Jun leich potestings* 0.1%	Aug 12	France	Jul consumer price index, prelim**	24%	2.3%		UK -	Jul retail price index Y**	2.5%	2.4%
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Aug 15 UK Jul retail price index*** 2.2% 2.1% month on month, "year on year 1 seasonally adjusted. Statistics, or	Thurs	UK	Jul retail price Index*	-0.5%	0.1%		Neth	Jul unemployment rate, 3 monthly	6.5%	6.3%
	Aug 15	UK	Jul retail price index**	2.2%	2.1%	month on mo	nith. "year on	year † sessonelly adjusted. Stati	istics, courtiery M	MS International.

#### MONDAY PRIZE CROSSWORD No.9,144 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 22, marked Monday Crossword 9,144 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL, Solution on Monday August 26. Please allow 28 days for delivery of prizes.

Address.

Winners 9,132 Mrs C.M. Hibberd, Woodhall Spa, Lincolnshire B. Bennett, South Sutton,

Surrey Mrs M. Blythe, Wistaston, Chesbire T. Goddard, Newton Longville, Bucks Bess Morton, Montreal, Can-Audrey Slater, Selly Oak,



Solution 9,132

## IIII SEDIVER IIII

GROUPE SEDIVER

The Company's Main Board met on August 1, 1996, to finalize the Sediver S.A. and Sediver group consolidated financial statements for the year ending December 31, 1995.

Sales (II usilion)	1995	1994 (*)	- %	ΔMF
Glass electrical insulators	556	543	+2.4	+13
Composite electrical insulators	225	176	+27.8	+49
Castings	59	49	+20	+10
Total, electrical inspiration	\$40	768	+9.4	+72
Headlight gless	287	267	+7.4	+20
Ghan blocks	134	116	+15.5	<u>+18</u>
Convelidated total	3 261	1 151	+9.6	+)14
OPERATING INCOME.	67,3	37.4	+81	+30
NET INCOME BEFORE TAX AND EXTRACOMINALY TITLES	27.9	5.5	NR**	+22.4
Dosting	(14.7)	2.3	NR**	+17
NET PROFIT	2.4	2.7	-12	-6.7

After a difficult year in 1994, 1995 saw a return to open remains fanglio when soon against a backdrop of an industrial rationalization programme and a cost exiting plan, both still at an early stage. Consolidate takes were up 9.6% to FF 1 261 million, despite negative pressures due exchange rate fluctuations costing approximately FF 45 million. Operation of the control of the cost of exchange rate fluctuations costing approximately FF 45 million. Operating income true 80% to FF 67.3 million, or 5.4% of miles. This is due to a significant increase in sales of composite insulators and an upturn in glassic compared with 1994.

N.T.

Net profit was FF 2.4 million (FF 2.7 million in 1994). This figure reludes provisions on Sediver S.A. inventory amounting to FF 13.4 million, a non-disductable provision of FF 7 million to cover our share of the losses of the traconsolidated Coincer joint ventures, FF 7 million in exchant FF 10.5 million non-deductible dependation of goodwill and pure and FF 10 million non-deductible extraordizary provisions for mon-

The group's set indebtedness rose FF 81 million to FF 355 million because of the increased working capital requirement amounting to FF 78 million including FF 48 million for investory, as well as FF 15 million additional investments in the

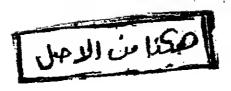
On August 1, 1996, the main board agreed not to pay a dividend for 1995.

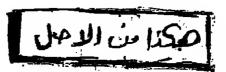
Sediver S.A. registered a loss of FF 4.5 million in 1995 compared with a loss of FF 26.1 million in 1994. The auditors will have completed their work by the beginning of September. At 31/12/1995, of 1 222 680 SEDIVER registered shares held by SANTAVALERIA (63.2% of capital), 1 219 160 were being used

PROSPECTS POR 1996 1996 will be extremely sensitive to the conversion of anticipated orders in electrical insulation. First half billings were down on the previous year, mainly because a resport contact that had been expected did not come to finision within the period and probably will not do so this year.

Faffing an exceptional turnsround, it appears that ser unlikely to make up the accumulated shortfall. A firm of consultants has been appointed to help the con A figure of consumers has been appreciate to make the community caps strategy, recognition in manufacturing activities and implement a contrast The annual general meeting will be lack! on September 30, 1996.

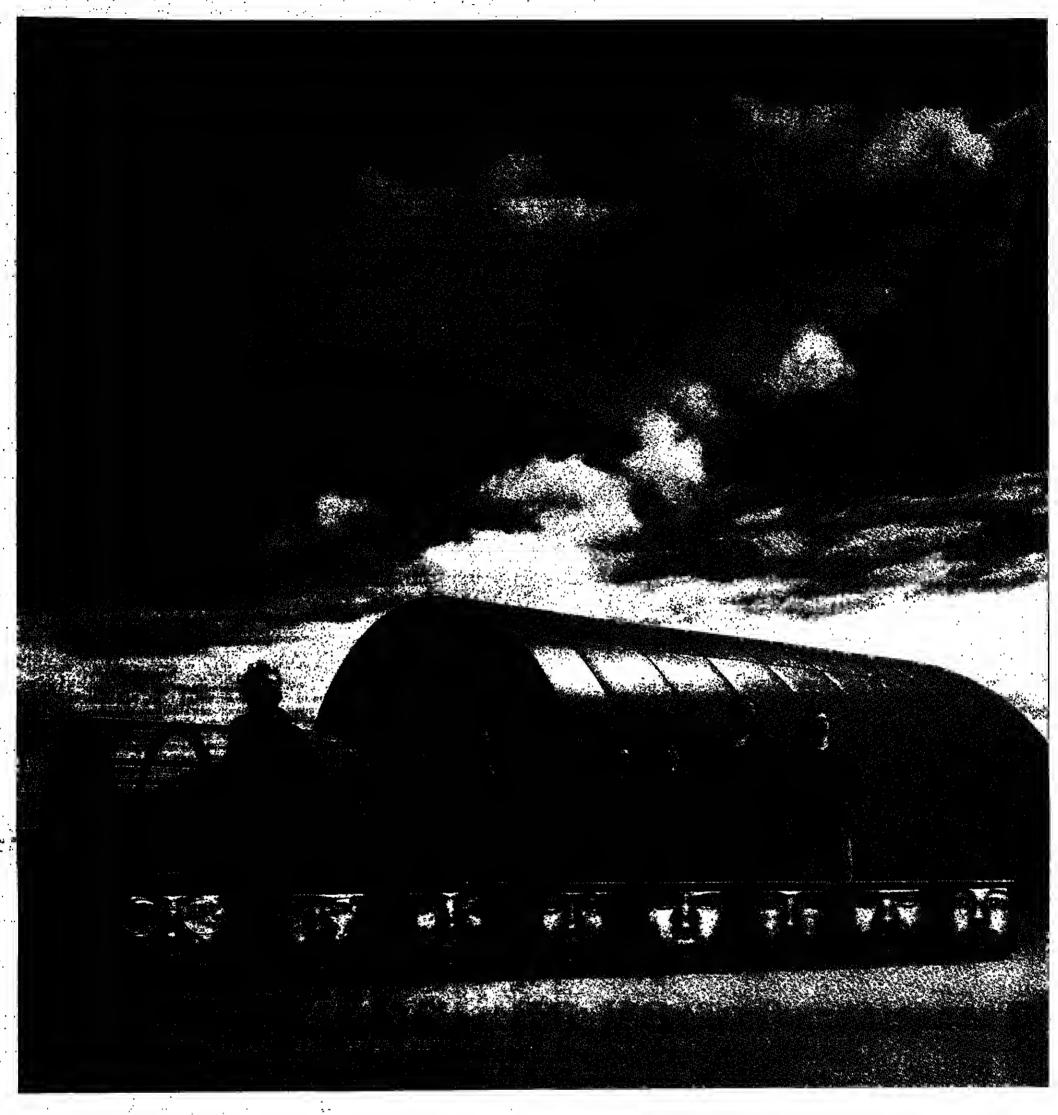
**JOTTER PAD** 





FINANCIAL TIMES MONDAY AUGUST 12 1996

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As a Senior Designer at LG Electronics Design-Tech, Matt must intimately understand the different aesthetics of each European country. And then translate that understanding into intelligently designed TVs, microwaves and other products. (Matt and his colleagues even helped design their company's Red Oak House headquarters.)

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Germany's banks are being forced to shed their staid working practices, writes Andrew Fisher

## sharp break with tradition

t is about two hours by car from Deutsche Bank'a imposing haadquarters in rankfurt to its direct banking subsidiary in a converted grain mill in Bonn. But the two are worlds anart

The bank's twin-towered skyscraper is the traditional face of banking, with the atmosphere one of restraint, discretion and respectability. The former mill building contains its new direct bank, Bank 24, where staff are friendly, energetic and informal characteristics not always associated with German banks.

Many Bank 24 staff work part-time and come from outside banking. They have shorter bolidays than Deutsche Bank staff and a different pay scale. "Our people are young, with an average age of 27 and a strong service credo," says Thomas Holtrop, Bank 24's bead of marketing.

Direct banking - with transac-tions carried out by telephone or computer - bas atill oot vet really taken off in Germany, But banks beve recognised that changing customer oeeds mean they have to provide this service for those wanting low costs and little or oo advice. The extreme service- and cost-orientation of direct banks will clearly influence the rest of the retail banking oetwork. "This is a prototype for what will be," says Burkhardt Pauluhn, divisional director for retail banking at Deutsche Bank.

Regardless of direct banks' eventual prospects, their introduction shows the extent of the transformation now taking place in retail banking. With banks under pressure from shareholders to produce better returns and speculatioo about possible mergers in the air, the pace of change

At branches across Germany, managers and staff are having new working methods thrust upon them. As their employers demands, ward off competition and hold down costs, the staid banking practices of past years are being shed rapidly.

At Dresdner Bank, for example, local managers no longer sit in their offices, away from the bustle outside. They are out in the front so they can see what is going on and keep staff on their mettle. Olaf Scheer, in charge of private customer business, says this is "an extreme cultural change". "Managers cannot just show off their status by withdrawing into their rooms whenever they please, but are right in the middle of customer activity.'

Some private customer advisers bardly see an office at all. Deutsche Bank's Cologne branch, responsible for 103 local branches in the outlying area, has about 30 independent advisers who visit clients and are paid on a commission-only basis. Banks are also introducing performance-related changes is to put customers to the fore. For savers, borrowers and inveators, thia ehould increasingly mean faster, friendlier and often cheaper service - a big change from traditional retail banking practices. Tha dense branch network is being overhauled and management structures are being streamlined.

Jobs are also disappearing, although not at the same rate as in the US or UK in recent years. Dresdner Bank has cut branch staff by 11 per cent in the past two-and-a-half years. Deutsche Bank redoced jobs in Germany by 5.5 per cent last year and by 16 per cent since the start of 1993. The main banking union (HBV) fears private-sector banking could shed 20,000 jobs this and

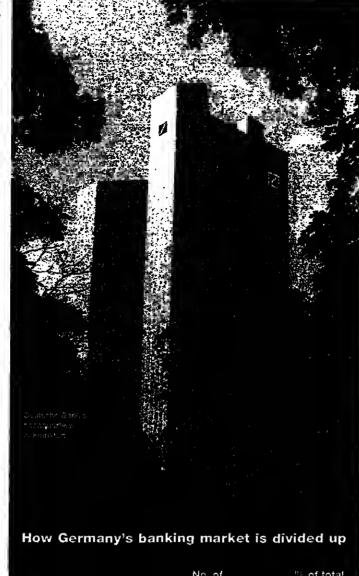
So far, tha cuts bava been achieved by natural fluctuation and voluntary means. But some bankers foresea redundancies. "In time, we [German banks] will run into a huge structural problem," says Stephan Schüller, a director of Bayerische Vereinsbank. "If we do not deal with it now, the solution will become harder. Redundancies cannot be

Thne etaff are being put increasingly on their toes. In the past, service in German banks could often be indifferent, arrogant and slow. Service does not come easily to many Germans. Surprisingly, the big German banks have little more than a tenth of the retail market, the largest slices being with the myriad savings and co-operative banks. But Germany is one of the world's most over-banked countries, with around 1,500 inhabitants for each branch - nearly twice as much as in the US, Britain or Japan. So each customer has to be fought for.

In the past, the unwieldy retail banking structure did not matter too much. Conservative German savers kept money on deposit at low rates of interest, providing banks with a cheap and reliable source of capital. This money could then be lent to companies at profitable interest rates.

But savers are becoming more sophisticated, although elowly, and companies are turning increasingly to the stock market or taking advantage of greater competition among banks to keep down borrowing costs. Foreign banks, notably Citibank of the US, have introduced faster and more customer focused service to the retail banking market. So the big banks have to make their extensive branch networks pay.

"German banks are waking up," says Heino Fassbender, a director at McKinsey, the management consultancy. As more people understand the need for higher after-tax returns on their money - especially with state



	banks	banking assets
Commercial banks	335	29
Big three'		
Regional	193	
Foreign		
Private	64	
Savings bank sector	83 <b>4</b>	
Co-operative banks	2.591	
Mortgage banks	25	
Others	15	
Total	3.613	100

will demand better products, advice and service from banks. This is very much a story about a supplier and his customer." The banks are reacting to these

challenges by: Restructuring branch networks to put more staff at customers' disposal and shift admin-Employees can choose to serve fits likely to be squeezed - they both. Pauluhn says the costs of far-reaching and radical restruct- pared for when electronic bank- banks can meet their needs.

some processes, such as consumer loans, can be cut by up to grown?"
50 per cent. The overall aim is to . . Studi keep costs flat.

Deutsche Bank will put branches in supermarkets to take advantage of the new law on longer shopping hours, while both Dentsche and Dresdner Bank istrative work to special centres. plan to keep many branches open in the evenings. Smaller, two-person branches are also planned.

as branches are sorted into small, service units and large flagship that many people still want the

To improve service in its big Stuttgart branch, Dresdner has installed four separate retail customer units in its banking hall, while upstairs the better-heeled clients are giveo advice in elegant rooms decorated with modern art and potted plants. At Dresdner's 1,200 branches, 71 per cent of staff deal directly with customers compared with 49 per cent previously. Vereinsbank is cutting its paymants centres from seven to two and concentrating back-office activities away from its branches.

 Streamlining management hierarchies so private customer, corporate and other business is handled more effectively at local level. Lines of communication with head office are being shortaned, mainly by cutting ont regional centres, with more transparency so banks can see where costs and earnings are baing produced. Branches ara ing given more local deci-

sion-making power.

Deutsche Bank has taken out the middle layer of its branch network so that its 1,500 branches report to 18 regional offices; previously they reported to 100 intermediate offices which are now normal branches. At Dresdner, retail activities are split into private banking and high-value customers, the dividing line being roughly DM200.000 (£87,000) in total account size. Of its 1,200 branches, 700 cater to both categories, the rest providing standard products for those who have not yet crossed this

· Setting np new operations such as direct banks or discount broking operations. Apart from Deutsche Bank, direct banks have been set up by Citibank, Commerzbank (with Comdirect) and Bayerische Vereinsbank (Advance Bank). Bayerische Hypotheken- und Wechsel-Bank has a discount broking subsid-

Dresdner Bank has not formed a direct bank but is expected to do so. "The option is there," says Heinz-Jörg Platzek, the bank's director with responsibility for retail banking. "A direct bank could make sense if it is properly positioned. The potential is growing and the question is do we put the cow out to graze right away or wait until the grass has

Studies have shown that around 15 per cent of customers could be attracted to the convenience and low-cost services of direct banking. These are mainly young, technology-minded people. As yet, progress is slow and profits are some way off. "Ultimately, it's the future," says

uring" of Vereinsbank's network ing does penetrats the market. At the same time they are aware services of a branch, at least for advice on investments, pensions, housing finance and other nonroutine matters.

So the drive is on to extract more fee-based business from customers visiting the branches, while pushing down costs. This is especially vital as customers make fewer branch visits in these days of automatic machines for cash withdrawal and other trans-

Citibank says its customers now make about half their transfers by machine or telephone and the trend is rising. Its terminals enable clients to order cheques, transfer money and make deposits, as well as withdraw cash. This frees staff for advising customers, with a service manager to arrange appointments.

"Every customer contact is a sales contact," says Platzek. "Our branch network is an asset." German banks have a cost/income ratin of around 70 per cent which he says is too high. "But it is also our biggest lever to improving profits - each percentage point means around DM100m less in

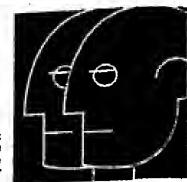
Dresdner's aim is to bring the cost/income ratio down to 60 per cent, with an interim goal of 65 per cent in two or three years. This means providing normal private customers with 10 or 15 standard products, such as savings and current accounts, mutual funds and consumer credits; while offering wealthier customers expert advice on bonds and shares, property and other more sophisticated investment and credit possibilities.

Peter Maassen, head of retail banking for Stuttgart and the outlying area with 85 branches, says staff are encouraged to try to move customers above the DM200,000 account size line. This is done through more active investment advice and persuading clients to concentrate busi-ness with Dresdner, The aim is to have around 10 per cent of private customers in the high-asset category against 8 per cent now. Branches have a target of up to 20 such customer up-gradings a year. They are also compared on how well they sell eccurities,

insurance and other products. At Vereinsbank, a top-down approach is followed, with innovative financial products - in such areas as property financing or investment, in which it is strong - are offered first to wealthier clients and then adapted for the less well-off.

But however the strategles differ, customers are being wooed as never before. "Customers are changing," says Schüller. 'Loyalty to a single bank is declining and they are more willing to try pension and social security bene-back-office work, but usually not Schüller foresees "a very Even so, banks want to be pre- will show just how well the

have fired all their oldies may



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**PARTNERS** 

## Toni & Guy

The Mascolo brothers, Toni, 54. Guy, 53, opened their first hairdressing salon, in south London, in 1963. When the company began to expand, they were joined by younger brothers Bruno, 18, and Anthony, 39 Toni & Guy now have 90 salons and nine hairdressing academies ghout the world. Their annual turnover is £23m.

Toni: "Anthony became a partner straight from school, at the age of 15. The only problem was his name. I'd enged mine from Guiseppe to Tout in the early 1960s and wanted Anthony to change his. My Dad, being a typical old-fashioned Italian. wouldn't hear of it, so we agreed to always use

Anthony's full name. From the very beginning I could see he was talented. He came on quick and strong and developed his own instinctive style. He was very aggressive, in the sense that he wasn't scared to take waist-length bair and clip it right to the em with no fear whatsoever. It's that kind of confidence which has made him British Hairdresser of the Year three

Bruno and Guy now live in America so I look after all the company finances. Anthony takes care of the image side of the salons, although he'll occasionally come to auditors' meetings with me. I'll arrive in a suit, whereas Anthony will turn up on his Ducatti, with greased-back hair and wearing a leather jacket. We're both stubborn

Taureans which is a pain in the neck. I have the edge as I'm older, but a lot of times I give in to him. When we opened the new academy in Covent Garden last year, Anthony wanted to spend an extra £50,000 which I didn't think was necessary. I let him have his way because it made him feel good. If you lose something to your brother in business it's not important." Anthony: "Tond's role is entirely different from mine. He's managing director, I'm international art director. I deal with advertising, image and education, while Toni looks after the funds. I keep in time with what's going on ecially, althou Toni implicitly.

There's a 15-year age gap between us so we think very differently. It's more like: father and son than two brothers. I've learned an enormous amount from him and I'm still learning. He'a more conservative and more disciplined than I am. I'm a bit wilder and madder.

He's the only brother who's lost his hair on top. He used. to have a long hit to hide the bald patch until we got hold of him and cropped it off. It's no good trying to hide the fact. You've got to say, this is how I am, that way you restore your confidence.

We're both hairdressers at rt even though I go on stage and he prefers to work in the salous. I can go to a : ... show and earn between £5,000 to £10,000 in a few days, yet Tohi can make one doctsion in an hour which could result in Elui It's irrelevant who carns the most any more because we split the profits equally. We concentrate on our different roles, but the most important thing is working towards the

Fiona Lafferty

## Let that holiday feeling linger

beginning of last week I wae refreshed, relaxed, enthusiastic, energetic. The feeling lasted a day and a

That is the trouble with holidays - the afterglow barely ever survives the return to work. Sometimes the commute alone is enough to bring you down with a bump, leaving you feeling worse than before. The distant memory of a good boliday makes the daily grind seem still less attractive by

Against the background of a tube strike and a postal strike, last week's return was not good. Nearly everyone elae is still away, those who are working look white and tired. "Did you have a good time," they ask, but are not interested in the answer. In your absence your things have been moved and you can't find coffee cup. The in tray is your coffee cup. The in-tray is full of outdated invitations and unweloome mail, and all those days still beckoo.

It oeed oot be like this. Surely we should feel re-enthused. returning to work full of ideas, glad to be back and in thor oughly good humour. Companies should be able to barness the returnee'e enthusiasm, and make use of the unusual burst of creativity. If managers are trying to change attitudes and instill new ideas this might be a good time

Failing a mass initiative, there are little things that could be done to make the first days better at least. Some of them we could do ourselves: bust a gut to get those really awful jobs done before we go away and set up a nice lunch for the first day back with an entertaining client or colleague to catch up on the gossip. We could also get somebody to do a bit of stage setting for our return - rearranging the in-tray so that all the nicest correspondence is on top, and the nasty



**Lucy Kellaway** 

stuff lower down. A bunch of flowers would not go amiss. Continent, where the entire workforce takes August off the mass return to work has all the excitement of a new year at school, with everyone tanned and ready to start again. In America they have found an alternative way around the problem: workers are discouraged from taking anything resembling a holiday in the

I may have come down from my boliday high, but the creativity The returnee problem is a has not all dripped away. My peculiarly British one. On the enduring memory of the holiday was lying in a hammock reading. It was very pleasant indeed.

I have always thought it would be e good idea to be able to get horizontal in the office, but reluctantly admitted that beds would take up too much expensive space. Hammocks are another matter altogether. All that would be required is a couple of hooks on the ceiling above the desk; the hammock could be neatly stowed in the bottom drawer when not the hammock after lunch to showing that companies which think, rest or to read. Heaven.

If you travelled by air the above discussion of marvellous bolidays does not apply: you may be feeling anything but relaxed and refreshed. According to the scare stories that have filled the otherwise newsless media in the last week, you are likely to have had your PC nicked by pairs of con-men who are working the airports. The chances are you will have been frightened witless on the flight, when the mango a fellow passenger was bringing home set off the fire alarm. And to cap it all off, thanks to the way the cheapskate airlines recycle air in the cabins, you proba-

More worthy research last week in use. Just think: 20 minutes in on ageism from Roffay Park mend him

one day live to regret it. As a result of making redundant everyone with more than a grey hair or two (ie all those who knew something about the business) there is now what the management institute politely refers to as a "knowledge gap". This, like the rest of the ageism propaganda, strikes me as entirely plausible, and morally persua-But the ageism message just does not seem to be getting through. Take last week's appointment of Michael Lynton as the new head of Penguin. "Whizzkid", "wunderkind" said

ter company will be a wizard at the job, but the fact that he is about the same age as my little brother does not in itself recom-

the press, talking about his age as if it were a prized virtue. I have every hope that the man bly have caught TB too. running the Financial Times' sis-

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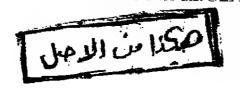
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Students are working with academics to solve

company problems, says Della Bradshaw

Western eyes

look east

#### How to assess the assessments

One of the most difficult

things for personnel directors to assess after managers have completed development courses is just how appropriate or cost-effective the training has beeo.

The Institute of Personnel and Development (IPD), in London, is running e three-day residential course to help personne

maoagers do just that, The course, Advanced Training Evaluation and Assessment, aims to give delegates the skills to review current evaluation strategies. IPD: UK. (0)181 263 3240.

#### MBA students turn to Mickey Mouse

There is more to studying for an MBA than the purely academic. Seven students on the MBA course at IMD. in Switzerland. have just arranged for six children suffering from lifethreatening illoesses to visit DisneyWorld in Florida. The students organised docations and

sponsorship to pay for the children and their families. from banks, airline companies and other organisations. The children on the week-long holiday came from the UK, the Vetherlands, Germany. Canade and Switzerland. IMD: Switzerland.

All those who studied at Henley Management College now have an alumni association to keep them informed of what is going on at the school. The associatioo will publish a newsletter, alumni membership book and run Henley: UK, (0)1491 571454.

#### A healthy outlook for management

A one-week master class for health service professionals is being run in September by Manchester Business School. The modular course covers topics such as re-engineering and quality tools. MBS: UK, (0)161 275 6333.

#### Old boys' network came down Czech airin place at Henley creft manufacturer Let saw the market for its specialised military aircraft

avaporete almost overnight, threatening the future of the Kunovice-based company. The action Let took to survive may seem peculiar. It decided to follow bankruptcy procedures, converting its debts into stock and declaring its creditors as shareholders in the company.

The advice to follow an orderly bankruptcy came from economist Jan Svejnar, recently appointed executive director of the William Davidson Institute at the University of Michigan business school, in Ann Arbor. The institute specialises in research into transitional economies, thosa moving from planned economics to free enter-

"You may have to go through bankruptcy in order to be successful," Svejnar advises companies such as Let.

When Let approached Svejnar for advice on its transition to west-

ern-style operations it was not just the academics from the institute who contributed ideas. Unusually, students from the MBA pro-

gramme also participated. This approach brings benefits all round, Svejnar believes: the Czech management learns western management techniques; the centre develops its expertise and knowledge of companies operating in a changing economy; and the students get management experience in a real company, not a historic

case study. "It's a real company with real problems," says Svejnar. "We metch the students with the companies depending on the courses they are studying - marketing. finance or accounting. The students have been very enthusias-

American-educated Svejnar is no stranger to transitional economies. Although his family left Czechoslovakia after the Russian invasion in 1970, and he taught at Cornell and Princeton before taking up his job at Michigan, his higgest claim to fame is as one of the chief architects of the Czech Republic's eco nomic reforms.

Svejnar, 43, modestly describes his role in the changes there as if it was purely a matter of chance. in 1989 be visited the Czech Republic with an economic study he had written with proposals for change.

t was the only study written at the time, he explains, and so its proposals - that workers be issued shares in their companies to provide collateral against which to borrow, for example - were adopted. Svejnar is still adviser to Czech president Vaclav

William Davidson Institute is hoping to exploit. The institute was set up with a \$30m (£19.2m) gift from William Davidson, e plate glass magnate and owner of the Detroit Pistons haskethall team, and has been operating for three years. Research there is into economies as far apart as Poland and Vietnam. Already under way is an in-depth study of banking in the transitional economies. And the

Jan Svejnar s still an economic adviser to Czech president Vaclay Havel centre is feeding its expertise It is just this expertise that the through into executive education -Michigan is a leading US business schools in executive teaching - as

> well as the MBA programme. A project similar to the Let ooe, involving MBA students, is already under way in Vietnam, where coal company Vinacoal is undergoing massive restructuring and hoping to export its products.

> As with Let, Vinacoal will pay for the consultancy work.
>
> One part of this sort of training

is for managers from these companies to visit Michigan during the summer to meet orangers in similar positions from other countries. "It's really interesting to see all these managers together," reports Svejnar, "A lot of learning goes on

just between them. For Let, the learning is already well under way. Sveioar and his students are now helping the company devise a marketing strategy to enable the company to sell its aircraft in the west.

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June were an education.

That competition is the

second reason why things

are as good as they are going

to get. The England players

who reached the semi-finals

learned bow international

football works. Steve Mac-

Manaman began diving to

win free-kicks. Stuart Pearce

sbowed why you mustn't

But Germany and France

demonstrated what English

cinb sides still have to learn.

It is not that they lack skil-

ful players: England'a Pre-miership has David Ginola,

Eric Cantona, Ryan Giggs,

Robbie Fowler, Gullit and

Juninho, whereas Euro 96

was tight defences. Almost

nobody scored. If you bunch

the middle with three centre-

backs and a defensive mid-

fielder who stick to their

opponents even when the

opponents try dastardly

tricks, such as running off

the ball, it is hard to concede

England, under Europhile

Terry Venables, sealed np

the back most of the time,

although horrible mistakes

by Garetb Southgate and

Pearce gava away goals

What Euro 96 did hava

give the ball away.

did not.



Karel Poborsky of Manchester United; Gianluca Vialli of Chelsea; Fabrizio Ravanelli of Middlesbrough; and Jordi Cruyff of Manchester United

## Send on the funny guys

### English soccer's wealth and drawing power won't last, warns Simon Kuper

t is too good to last. Second-rank English soccer clubs such as Chelsea, Middlesbrougb and Newcastle will not field large numbers of the world's best players for ever. So it may be worth going to every match you can when the English Premiership'a new season starts on Saturday, because the world's best will soon be signing for Italian, Spanish and sometimes German teams again.

Listen to Mark Fish, the South African who spent a few days on trial with Manchester United this year before signing for Lazio Roma instead. Fisb is a 21year-old bacbelor. When I asked if be had turned down United because the women were prettier in Rome, he answered "Yes" well before 1 had completed the question.

Footballers prefer soutbern Europe for many reasons. The best Spanish and Italian teams seldom get knocked out of European competition in early autumn by sides from Copenhagen or the former Stalingrad. And

the weather is better. At present the stars are ioining English Premiership clubs because these are now the richest in Europe indeed, the richest anywhere after Japan. But that won't last. England has led football's commercial revolution. but the rest will catch up. The Italians, Spaniards Titus van Rijn

ing from Manchester United that fans will buy anything with the club name on it, from life insurance to sleeping bags, so English fans should enjoy the influx of foreign stars for the couple

asons it lasts. Of course, the imports will help pack Englisb stadiums. This is not solely thanks to their footballing skills. Many of them look very odd. Gianluca Vialli, now of Chelsea, has a shaven bead. Fabrizio Ravanelli at Middlesbrough has white hair. Karel Poborsky, Manchester United's new Czech, has hair of the long, unwashed variety normally seen only on the third day of an indie music festi-

lite television channels are

watched by most of the pop-

ulation - unlike BSkyB in

Britain - so their clubs will

be able to charge more than

English clubs for TV rights.

In addition, they are learn-

And Jordi Cruyff, Poborsky'a new colleague and son of the great Johan, has longish blond hair and a striking surname, Jordi, a celebrity from birth, is the subject of one of the better Dutch poems of recent years, which compares him to Rembrandt's son Titus: In the darkest of the night

and Germans will learn what Often cursed that he was their product is worth. Italy Rembrandt's son. and Germany are wealthier than Britain, and their satel-

Cynics might say English nanagers have signed freakish looking players chiefly to gull child fans into buying replica shirts. After all, a cool guy like Vialli sticks in the mind in a way that his normal looking team-mate Roberto di Matteo does not.

Bnt there is more to lt than that. The funny looking people were signed partly because they stuck in managers' minds. Bryan Robson and Alex Ferguson lack the time and foreign contacts to study many foreign players. They aaw a few Euro 96 games, missed the characters with ahort-back-andsides, and signed some of the

Hiring a scout to travel Europe looking for players would cost a club about £80,000 a year. If the scout found one first team player a decade, he would earn back his salary. Imagine if Harry Redknapp, West Ham's manager, had pursued a letter he received last year from a fan teaching in Prague, It advised Redknapp to buy the "brilliant" Poborsky, then unknown abroad and priced at only 2200,000. Last month Manchester United bought Poborsky for an estimated

Of course, the English Premiership is more worldly than it was. Ruud Gullit at Chelsea became only its sec-

ond foreign manager ever against Switzerland and Germany. The great test for Josef Venglos failed dismally at Aston Villa a few years Liverpool, Manchaster Unitad and Newcastle in ago) and the finals of tha Europe this season will come European championship -Euro 96 - in England in

Bnt perhaps the main thing Euro 96 gave English football was confidence. England held Germany and Spain and hammered the Dutch - Venables' rola models - 4-1. "All this really happened. There are millions of witnesses," reported the fan-zine When Saturday Comes.

Against Holland, support ers even glimpsed what an English atyle of football could be; not the long-ball game, but the precise passing of the Europeans carried out with British pace and

The memory of that match may reduca the present English awe of foreigners: many people see Gullit as a kind of Pele with Albert Einstein's brain. One reason why British neighbourhood clubs such as Aston Villa, Nottingham Forest, Aberdeen and Dundee United won European trophies in the early 1980s was that they thought they could.

But a lost Euro 96 semi-final at home should not per-suade anyone that England will improve on that in the World Cup finals in France in 1998, when Brazil and Argentina join the mix. Football's coming home, but only for a quick visit.

Abbey Natl Treasury Svs 6%

British Steel 7p BT Fin BV 8%% Bds '99

Chubu Elect Power 6%%

Electrocomponents 4.6p

Flash Series Secd ETA FRN

Heath (Samuel) 4p Kobe 8%% 499 US\$443.75

Ladbroke 8%% '03 £443.75

Shikoku Elect 614% Bds '03

Victorian Public Fin 9% Bds

Anchor Intl Fund US\$0.0377

Mazda Motor 5.1% Bds

Do FRN's 2000 Y25692

Nomura Intl FRN's '04

Northern Elect 27.9p

Shelton (Martin) 3p

Sterling Inds 5.7p

Whitecroft 3.25p

■ TOMORROW

Babcock Intl 1.75p

Dawson Inti 1.5p

Do 5.1% Pref 2.55p

Do 8.765% Bds 2009

Gtd Nts '99 £60

US\$437.50

'99 £67.50

Do A 9p

Cohen (A) 9p

'97 Y250606

2000 Y510000

US\$134.19

US\$62.50

'99 £96.25

**DIVIDEND & INTEREST PAYMENTS** 

Colin Amery · Architecture

## Atlanta emulates St Petersburg

hen the possi-bility of a perment to the recent centennial Olympic Games in Atlanta was first discussed, a prominent Atlantan wondered if that meant his city could become "just like Paris". His reaction was the right

Until now. Atlanta's architecture has mainly reflected the rapid growth of a sun-belt city. There is no particular quality in evi-dence: for all its recent international exposure Atlanta is not vet a city where developers have insisted on employing world-famous architects. There have heen aome

achievements, of course. In the past, one of Atlanta's claims to elegance has been the way some of its architects continued the develop ment of southern domestic classicism. Fine traditional bouses among the giant magnolia trees are one of Atlanta's secret pleasures.

But great citias have continents, and it was an inspired move by a member of Atlanta's architectural community to think of a monument that will permanently remind Atlants of the centennial Olympics. However, official souvenirs of the Games smacked more of Disney than of the dignity of great athletes, and commemorating the Olympics with a monument raised difficult questions,

have been asked to erect a giant basehall cap and a Coca-Cola bottle? Should Richard Serra have been invited to torture a piece of steel into some forged representation of Olympic effort, or Cy Twombley to produce the world's largest graffito? The feelings of the man who wanted to bring a sense of permanence to

Atlanta by referring to

Should Claes Oldenburg

The sun-belt city's

Atlantan Arc de Triomphe or a rival to the Eiffel tower. After all, Barcelona has Sir Norman Foster's tower marking the success of its Olympics in 1992. In fact, Atlanta chose an

original route. Rodney Cook, who runs an architectural practice in Atlanta, had been impressed by the ideas of Prince Charles about continuity of tradition and the need for a return to craftsmanship.

So he decided, with the support of the American Prince of Wales's Foundation for Architecture, to encourage students at the prince's school in London to enter a design competition for an Olympic monument. The competition produced some good results, the clear winner being a student from St Petersburg. Anton Glikine came from Paris had the right idea. He Russia to London to study

standing of monuments so vident in St Petersburg. After all, the monument to Peter the Great by Falconet (1776), with its prancing horse rising out of a hune natural rocky base, is one of the most effective and timeless monuments to a founder of a nation.

In turn, Glikine's design for Atlanta's Olympic monument is genuinely in the St Petersburg tradition. It is big. It is serious. It is original. It is also in the tradition of European designers working in the US.

The Statue of Liberty mmediately comes to mind Less well known but partic ularly distinguished is the brilliant Soldiers' and Sailors' Monument ln Indianapolis, designed by Bruno Schmitz of Germany as a result of a competition in

A full scale maquette of the Atlanta monument was unvelled recently, Glikine baving worked with an American architect, Peter Polites, to develop the design. The finished work will be as high as a four-sto-rey building (some 48ft) and will stand on an important site in mid-town Atlanta, north of Pershing Point.

It has an Indiana limestone base and a circle of five Doric columns which support five giant athletes bolding up an illuminated bronze figures were created by Martin Dawe of Atlanta's Cherry Llon Studios with assistance from sculptor limestone base has been carved by masons from Atlanta's Architectural Limestone Works.

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Term \$1.50

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There has been enormous local support for the monument in Atlanta and it is being funded by significant local businesses, charities and individuals. What they will get for their money is a calm and beautiful monuprobably had in mind an architecture and brought ment,

Do Mezzanine FRN's '96

£183,37

### THE WEEK AHEAD

# POTENTIALLY MERSEYSIDE J THE CALL CENTRE OUR INVEST THE PEOP

You're America's biggest TV shopping channel. And you want to expand in Europe.

So where in the entire continent do you site your call centre? Pans? Dublin? Amsterdam?

Knowsley, Marseyside For sound reasons. The region's telecommunications technology is

Right new, QVC's call centre operation is being built in

already well known. Amongst the best and most extensive in the world, highly competitive with four telecom providers in the region.

We like the warmth and openness of everyone, and the 'ean-do' attitude.'

Even less hush-hush of course, is a Merssysider's talent for talling. A talent that's been brilliantly employed in the pools, insurance and home shopping businesses for generations. On Merseyside, doing business on the phone is in the blood. But, OVC also chose Merseyside for less

They found out about lower op site availability. About some of the most attractive financial incentives, recruitment and training packages in Europe. About the regular forum of existing iside call centres who pool their knowledge and

obvious advantages.

share that information with new investors. But above all, they found out about the attitude of the people who work here.

"The combination of the Mersevside friendliness and an el working environment w調 create a brilliant team here."

Look at some of the other call centres who are trendy established on Mersavaide-Barclays Direct Loan Services, NatWest and Swedish company intrum Justica. And in other sectors, Ford, General Motors, Kodok and Sony continue to succeed. So could Merseyside really become the call centre capital of Europe?

It's happening even as we speak

A'pool of talent



UK COMPANIES ■ TODAY

COMPANY MEETINGS: Aberdeen Steak House Coventry House, 21 Coventry Street, W., 10.00 Heath (Samuel), Leopold Street, Birmingham, 12.00 Oceonics, Stonecutter Court, 1 Stonecutter Street, E.C., 10.30 TBL Marriot Hotel, Mill Lane Cardiff, 12.00 Warmford Investments Chartered Insurance Institute, 20 Aldermanbury, E.C., 12.00 **BOARD MEETINGS:** Australian Opp Inv Trust

US Smaller Co's Inv Trust interims: London Finance & Inv Smith & Nepthew

**■ TOMORROW** COMPANY MEETINGS: Caledonian Media Communications, 26 Finsbury Square, E.C., 11.00 Cropper (James), Burneside Mills. Kendal, 10.30 Mansfield Brewery,

Kuala Lumpur Bhd Int M\$0.0333 Latham (James) 4p Matheson Llovďs Inv Tst 2o Nordic Inv. Bank 7.75% '98 Phoenix Timber 0.2p TLG 2.9p **■ WEDNESDAY August 14** Albion 0.8p

Carlton Comms 71/2% Conv

Bds '07 £187.50

Durban Roodepoort Conv.

8% Prefd R1.44

CML Microsystems 6.1p Colonial Fin Sub FRN's '05 US\$297.80 De La Rue 16.5p Hawtal Whiting 2.5p Homby 5.5p Mansfield Brewery 4.2p Marsh & McLennan US\$0.80 Sanyo Elect FRN'a '97 Y110891 Tamaris 0.051482 UMECO 3p Vosper Thornveroft 16.7p

■ THURSDAY August 15 Abbot Labs US\$0.24 Anglo Am Inv Tst 6% Gross Pref R0.06 Assoc Nursing Svs 2.45p Barcom 0.4 Brockhampton 2.1p Do A 2.1p

Mansfield Civic Centre,

New London Capital,

Fountain House, 130 Fenchurch Street, E.C.,

BOARD MEETINGS:

General Accident

General Cable

Sedgwick

Mansfield. Nottinghamshire

Safeland, 144 Great North

■ WEDNESDAY August 14

Bolton Intl, 62 Threadneedle

Lusty (John), The Registry,

Mountview Estates, New

Connaught Rooms, Great

Queen Street, W.C., 11,30

Schroder UK Growth Tst.

33 Gutter Lana, E.C., 3.00

Shepshed, Loughborough,

600 Group, 600 Centre,

COMPANY MEETINGS:

Royal Mint Court, E.C.,

Street, E.C., 10.00

Way, Hendon, N.W., 3.30

Chesterfield Road,

12.00

Finals:

Interims:

VDC

BOC

10.00

City Mrtg Rec 1 Mrtgage-bckd FRN's '23 Colgate-Palmolive US\$1 US\$0.47 Court Cavendish 3.52p Fishguard Rail 31/2% (2.45% net) Pref 1.225p Housing Fin Agency 8%% '18 IR£4.375 Independent Parts 4p

Century Inns 1,25p

Sanwa Bank Can Fixed/ FRN'a '05 US\$1533.33 Scottish Met Prop 1.1p Sears 714% Uns 92/97 £3.625 Somic 1.75p SONAR 1 A Mrtgage-bokd FRN's '21 £142.30 Do B Mrtgage-bckd FRN'a '21 £182.87 Do C Mrtgage-bckd FRN's '21 £204.23

Tanjong M\$0.128 Universal Salvaga 3.55p Willoughby's Cons 1p Do Prefd 1p FRIDAY August 16

Brit Funds 21/2% IL £2.1117 BTP 7.35p Burtonwood Brewery 4.65p Cropper (James) 2.8p CS First Boston 7.375% '01 FFr737\_50 Drive Secs A FRN's '96 £163.48

Leicestershire, 12,00

Somic, Bartle Hall, Lea

Wilshaw. The Brewery

BOARD MEETINGS:

Celtic

Trust

MAID

Telegraph

Interims:

Glynwed Inti

Lane, Bartie, Preston, 12.00

Chiswell Street, E.C., 11.30

Dunedin Japan Inv Trust

F&C Income Growth Inv

Hemingway Properties

Independent Insurance

Jupiter Geared Cap & Inc

**■ THURSDAY August 15** 

Burtonwood Brewery, Rake

Hall Road, Rake Lane, Little

St James Beach Hotels, 24

Chiswell Street, E.C., 11.00

Tom Cobleigh, Riverside

Lodges, Moat House Hotel, 1 Higher Bridge Street,

Bolton, Manchester, 9.15

Kleinwort High Income

Life Sciences Opp Tst

Farm, Shipton Road,

Skelton, York, 12.00.

BOARD MEETINGS:

Finals:

Yates Brothers Wine

COMPANY MEETINGS:

Stanley, Chester, 12.00

Evans of Leeds 2,12p Forte 10% Mort Deb '18 £5 French 1.5p Glass (David) 2p Friendly Hotels 3.5p Hunters Armley 1.5p Matrotect Inds 0.35p Microgen 2.4p M & W 1.25p NatWest Bank Prim Cott FRN's B US\$268.58 FRN's '04 US\$2818.47 Prudential 71/6% Bds '05 US\$71.25 Ramsden's (Harry) 1p Scapa 4.89p Scottish Met Pipty 1.1p Sheriff 2.35p 600 Grp 3.25p. A\$117.50 Do Extndble FRN's US\$268.58

■ SUNDAY August 18 Hambros Insurance 3.7p

Interims: Clarke (T) Ericsson (LM) Fleming Income Hadeb MacLellan Microvited North Midland Construction Portmeirion Potteries

Rea Brothers

FRIDAY August 16 COMPANY MEETINGS: Azian, 1 Finsbury Avenue. E.C., 10,00 Foster (John), Black Dyke Mills: Queensbury, Bradford, 10.30 Fuller, Smith & Turner.

Griffin Brewery, Chiswick Lane South, Chiswick, 11.08 Thorn EMI, London Marriott Hotel, Grosvenor Square, W., 10.30 .

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.



■ SATURDAY August 17 Peabody Donation 10,25% Secd '23 £5.125

Ulysses Sec 7.625% Asst Bckd Bds '06 IR5.08333p

## Black America starts to log on

Net hook-ups in US inner cities are increasing fast, writes Victoria Griffith

very night, Gilbert Wasbington gets home from work as a hospital chaplain in South Bend, Indiana, and logs on to Prodigy. Hs corresponds by e-mail with friends and relatives, checks stock quotes, and reads some of the big news stories of the day. That is typical behaviour for an online browser, except thet Washington is part of a demographic group many feel is ignored in cyberspace: he is black.

mulates.\*

AD

Growing numbers of African-Americans are express ing concern that as a race they run the risk of being shut out of the multi-media revolution. About 600,000 African-Americans use the Internet regularly, according to the US Census Bureau.

Based on total usage fig-ures from Vanderbilt University, that means about 4 per cent of Internet browsers in the US are black. Since about 13 per cent of the total population is African-American, the statistics imply dramatic under-representation in cyberspace on their part.

For educated black America, "Log on!" is becoming a battle cry. Prominent African-Americans believe the Net offers the promise of better information, easier communication and an enhanced sense of community. "If you don't already have a computer, buy one or arrange to have access to one," advised the magazine Black Enterprise this year. "Surf the Net

for information that can give you an edge." As the Net grows in importance, black Americans fear they may be left behind. Their median income is only one-tenth that of whites, according to Black Heritage Products, which markets goods made by black-managed companies. That means many African-Americans may have trouble purchasing the equipment necessary to go online: a minimum of

computer and modem. Yet African-Americans are anxious not to be locked out of cyberspace. Many believe that what amounts to "black patriotism" is involved. "I tell all my friends and rela-tives to go online, says realise that embracing tech-DOIORY

about \$1,500 (£961.50) for a

race. Many in the black community see their participation in the multi-media revolution as a way of increasing their power in society. Earl Graves, editor of Black Enterprise, urged readers in an editorial earlier this year to wage e-mail campaigns to create awareness of the black consumer market.

African-Americans are becoming far more visible in cyberspace. Two years ago, there was hardly any Net



content aimed specifically, at blacks. Today, more than 220 African-American print magazines and newspapers -

including Ebony, Emerge and Black Enterprise - have a cyberspace version. Online services are sponsoring Afrocentric sites such as America Online's NetNoir and Compuserve's African-American Culturs & Art Forum, Last February, Black Entertainment television

agreed to provide content for the Microsoft Network. "As we get more sites like mine in cyberspace, more African-Americans will see reasons for going online," says David Ellington, wbo runs NetNoir. Ellington describes his site as a celebration of black culture in America. "There still needs to be more content for

blacks, but it'a a lot better

than it was even a year ago." A Webcrawler search yields nearly 10,000 Web locations with an African-American theme. Subjects range from where to buy African clothing to advice on book-nps. And local black adoptions, black scienchurches, such as the Con-Washington. We have to tific forums, information corde Baptist Church in about black universities and Brooklyn, New York, intropanies. "There may not be many blacks at the centre of The computeriess can also group. "But I don't think it the internet revolution, but take advantage of pay-per- will fly. Does every Ameri-

recording artists; Spiegel, which offers a special cloth-

tion features sketches and

photographs of African-Americans. Most advertisers - and the Afrocentric sites they use target middle- and upper-income blacks, who will probably account for most of the growth in Net use by blacks during the next few years. It is a sizable group. According to the Census Bureau, about 5.4m black American housebolds have an income above \$25,000 a year. "There's a significant number of us ont there who are certainly mak-

ing enough money to get on

to the Net," says Murrell.

ven households that earn less than that have ways of getting hooked up. Numerous non-profit organisations provide low-cost or free Net usage, Career Link, a Boston group that helps low-income inner city workers find work, offers computer access at its downtown headquarters. A growing number of public libraries provide Net the joys of online life.

York's Kokobar.

Brooklyn neighbourbood, I see supposedly poor kids

more than 200 people - have Yet many Africanput the urban poor in touch Americans remain conwith their neighbours, and cerned about the implicahave been deemed a success. tions of the so-called media These initiatives give single revolution. "Even if they can mothers on low incomes use the Internet in a library. access to the Net, setting up that's not the same as hav-

chatrooms and community noticeboards. People found it especially valuable, because in dangerous urban areas, they are afraid of crime and don't like to get out of the house to meet people," says Michelle Shaw, who helped run the

schemes.

Computers are rapidly becoming cheaper, and some analysts predict that in five years they may cost no more than good television sets.

"It's just a matter of time until everyone is hooked up," says David Ellington of NetNoir. "There's a lot of money invested here and people will want to capitalise on the Net as a marketing tool. Since black people spend a lot of consumer dollars, they're bound to be included in the long run."

### Tim Jackson

## Profit from gossip

It sounds like a depressing acisnca fiction film: lonely people, film: PCs in the middle of the night, and exchanging barroom banalities via keyboards across tha Internet with people they have never met and are unlikely ever to meet. Yet online chat is not merely one of America's fastest growing laisure

activities, it is also the foundation of a number of billion-dollar businesses. Industry estimates vary, but revenue from chat probably accounts for about 40 per cent of the sales of companies such as CompuServe and America Online. Unlike Internet service providers, which generally sell unlimited access for a fixed monthly fee, the proprietary

onlins services charge by the clock after only a few bours' use each month. That means they make money from every minute for which customers are engaged in this bizarre social phenomenon. As my own experience of chat is limited to a couple of short sions which I abandoned out of boredom, I turned for an insight to Jeff Pulver in

upstate New York, the pub-

lisher of a popular Wsb site

(http://ppmp.pulper.com).

A measure of Pulver's enthusiasm for the Net is that be has a T1 data line, a capacity normally used only by large companies, run-ming into his living room. "OK," he said "I confess. I really like chat." The chat urge hit him most often on Friday nights after the science fiction series The X-Files. Since his wife had better things to do than watch the programme, be needed friends to discuss it

with - and heading upstairs, he would log on to the Net and plunge into a group of people exchanging views on plot and characterisation in the programme just broadcast.

At first sight, the preponderance of US participants may give the impression that online chat is a natural extension of the garrulous, outgoing character of Americans. But Jody Turner, head of content davelopment for Compu-Serve in the UK, explains that the more reserved Brits are equally keen. Once online, they also lose their

national reserve. CompuServe can claim to have been the pioneer of chat, with a software package called CB Simulator that encouraged customers to think of the service as a kind of electronic citizens'

Until now, enthusiastic chatters had only one alternative to the paying online services - Internet Relay Chat. Chaotic, public, and unstable, this free technology delivers a considerably less satisfying experience. A favourite nerd's game is to use "bots" (robot software) to colonise a "topic", and crowd out all the other participants. It is the equivalent of a party taken over by yobs who switch the music up too loud and start

breaking bottles over heads. ut the World Wide Web is now becoming a serious competitor to traditional online chat. Several companies, backed by serious venture capital and powerful media businesses have been drawn into the market by the realisation that a lively chat forum is one of the cheapest things

Web site time and again. Software to turn a Web site into a chat service is proliferating. Programs are available that plug into Netscape's browser, allowing Web users to see a frame at the bottom of the page with chat running across like a tickertape.

that can bring surfers to a

Also available on the Web are avatars - cartoon images or photos chosen by each participant as a personal emblsm. Software designed by Ubique, an

users to look at a screenful of people, and use a mouse to move their own avatar up to people they wish to talk to. More exotically, they can gather a group of avatars for a private chat, or load them on to a camel and take them, still chat-ting, on a journey to a dif-

ferent Web site. A still more powerful devslopment is likely to emerge within montbs: andio. Net telephony already allows live voice to be carried. Now a range of products will make it possible to chat using the vocal chords instead of the fingers, and, indulging the common habit of chatters to lie about their age and sex, to use distortion software to

disguise one's voice. ComputerLetter. industry newsletter available at klein@technologicp.com, asks in a thorough recent survey of the subject how companies will make money from chat. It postulates different models, including usage fees. One firm charges \$1.95 (£1.25) a month, compared to Com

puServe's \$2.95 an hour and one-off fees for software. My view is that the only money made will be by software companies selling chat packages to Web site own ers. To the rest of the world chat will become another

standard facility of free Web browsing. That will not happen in a burry. The chicken and egg problem will plague those who try to establish chat services to compete with existing services: nobody will come, even for free, unless others are there and

chatting already. But in the long term, the days in which people will pay per bour for the privilege of chatting with others across the Net are numbered. The chat phenome non will fragment, fleeing to thousands of different Web sites where groups of enthusiasts will pursue conversations, undisturbed by gatecrashers. tim.jackson@pobox.com

#### Internet Directory them by simply tooking them up on the World Wide Web. there are a jot at the periphery says William Minnell, who runs the Africas Americas Culture & Art Forms. NetNoir a advertisers include Columnia Records, which provides trief saying use cyberspace centres like can really deserve a \$1.000 All of these can be accessed via hyperlink directly from the Financial Times at http://www.FT.com CyberSmith or its Africanpersonal computer and free online time? I think the American equivalent, New answer will be no." Ironically, many believs "If you really want to get online, you can," says Alfred poor inner-city communities which provides brief sound Edmond, executive editor of Black Enterprise. "In my would make valuable use of International Internet Name Registration Every clips from African-American the Net given a chance. Two government-sponsored pro-

ing it in your home" says

Samuel Fulwood, a Washing-

ton correspondent for the

Los Angeles Times. "A lot of

poor people, many of whom

are black, will not be hooked

up, and black people may be

disproportionately out of ths

loop, which is troubling.

They are talking about vot-

ing on the Net. What does

that imply for black

Americans' participation in

As more "town hall" meet-

ings are staged on the Net.

analysts predict, the ques-

tion of access will become

increasingly urgent. Some

politicians may push for uni-

versal access, which would

oblige multi-media compa-

nies to offer their services to

all, just as AT&T was forced

to guarantee universal tele-

phone access prior to its

"It's going to become a

an analys

hot-button issue," says Stan

research company Meta-

break-up.

Lereak.

the democratic process?"

#### jects - Four Corners in Bosweek ing collection for blacks; and wearing Air Jordans [an ton and Making Healthy Hallmark, whose Mahogany expensive brand of tennis Music in Newark, New Jerbrand greeting card collecon a shoel It's a question of pri- sey, which together involve Monday have to register, but there is and plans to develop a ics (http://netec.wustl.e-plenty of good content, par-downloadable business soft-du/WebEc). This site has ticularly the technological ware section. You have to more information and more the FT gives you

• There are bundreds of

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## Cyber The Business Software

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A Section Section

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Alliance - a group of leading software producers including Microsoft, Lotus, Novell, Adobe and others has adopted new measures to combat software piracy and distribution of illegal software via the Net. Infor-mation on the association's activities, which focus on working closely with Europeen police, can be found at its Spanish-language site www.ormet.es/bsa

 NatWest Electronic Markets' Banking on the Future project. (www.botf.nat-west.co.uk) may be worth checking out regularly. You

Survey 95.

innovations section. · Aslib, the UK Associa-

agement, has an interesting September 26-27, entitled: Evaluating the Intranet as part of your knowledge to be found at www.aslib.co.uk/index.html

• Another upcoming con-ference is Telework 96, in Vienna, November 4-6. Details can be found at www.bco.co.at/bco/tw96

(www.businessfinance.com) puts entrepreneurs in touch with potential investors and funding sources. It claims to

belong to a chamber of commerce or trade association, tion for Information Man- or subscribe to a business publication, to sign up.

conference in London on • For a really nice site, pensible. visit Los Angeles-based Windham Hill Records (www.windham.com): tastemanagement strategy, ful images in keeping with Details and programme are the peaceful, ambient music to be found at www.as- the label is famous for, as well as good artist and tour information using an interactive map, and downloada-

 The dual-language Kobe University Research Insti-· America's Businasa tute for Economics and Funding Directory Business Administration Library (www.rieb.kobe-u.ac.jp/rieblib/index.html) has a very long name, but also a fine selection of texts. have more than 13,000 regis- It's a gateway to WebEc tered sources of funding, Web Resources in Econom-

subject-ordered links on economics than most sane people will ever need. In fact. you could even call it indis-

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www.ft.com Updated dark

The Financial Times plans to publish a Survey on

## IMF/World Bank: World Economy & Finance

on Friday, September 27.

● To coincide with the IMF/World Bank meetings in Washington in 1996 ● Special distribution to 6000 delegates at the meeting • New emerging markets section. The FT is judged as the world's most important financial publication worldwide. Source: ING Bank

> For further information please contact Hannah Pursail in London OD +44 171 873 4167 OF Fax + 44 171 873 4296 or Tim Hart in the USA on + 1 212 752 4500 .

Lb Vaughan in Hung Keng on +852 2868 2863.

### **BUSINESS TRAVEL**

#### Travel News · Roger Bray

Fares set to fall

Air fares in Europe will fall in real terms over the next fiva years. Despite pressure on airport and airspace capacity, the Brussels-based Association of European Airlines believes the downward trend in the average price per kilometre. which started a decade ago

with moves towards airline deregulation, will continue. Competition, It says, will keep forcing airlines to attack costs. Between 1986 and 1990, fares fell by an average of 3 per cent a year on intra-European routes. after inflation was allowed

for. Since then, the annual reduction has been 2.7 per cent. Between now and the turn of the century the real rate of decline is expected to slow to 2.3 per cent.

The association's 26 members, which include Air France, Lufthansa, KLM and British Airways, is forecasting an annual average increase of 6.4 per ceot in passenger traffic on routes within Europe during the same period.

More destinations United Airlines plans a huge expansion of its

no-frills Shuttle operation on the US west coast. At the end of October lt will start flying from San Francisco to six more cities, increasing its daily departures from 364 to 410.

The operation was developed by the carrier's employees. It offers single fares as low as \$25 (£16) on flights between 12 west coast cities.

Gridlock working

Guests at the newly renovated Regent Bangkok need no longer sit and fume at the city's gridlocked traffic. The hotel has introduced a fleet of 19 Mercedes-Benz limos which

double as mobila offices. Chents may use a video. computer, fax, tape recorder

or telephone, or watch TV. Travellers may even order room services from the car. so that food and drink arrives minutes after check-in.

Smoke-free zone Whether or not they smell or inhale nther people's Smoke, many air passengers object to cigarettes in

principle. That is the conclusion to be drawn from a two-week trial by German carrier Augshurg Airways, during which it offered customers

cigarettes. An overwhelming majority was not in the least bothered by them. But 7 per cent still objected.

The airline also found that on flights up to two hours, even heavy smokers were prepared to forego lighting up.

The price of air Harassed or jetlagged travellers to Toronto can

now sharpen their wits with

a lungful of pure oxygen. What is claimed to be Canada's first "oxygen bar" has opened there on Yonge Street. Taking its cue from Japan, where the idea is already established, the o2

Spa Bar claims a 20-minute ssion will increase energy, stamina and mental alertness. It costs C\$16 (£7.50) a time.

Ride to destiny

While drivers of London's black taxis learn the capital's geography through an exhaustive process called "doing the knowledge", it seems their counterparts in Mexico City leave it to fate.

A letter to Executive Travel magazine quotes the following message in English nn a voucher, purchased to cover the ride into town from the sirport: "Only four persons - one

Likely weather in the leading business centres

Hong Kong \$\infty 22 \infty 23 \infty 25 \infty 22 \infty 23 \infty 25 \infty 22 \infty 25 \inft \$ 2 \$ 21 Q 2 Q 21 \$ 2 m L. Angeles 25 25 25 25 26 25 26 26 26 p= p= 0 = 0 = 0 = 

Amman

Amon Cohen samples the different styles of two new small airlines' services to Amsterdam

and easyJet are both new, small British airlines in dispute with KLM. Both have complained to the European Commission that the Dutch flag-carrier is abusing its dominant position in the London. Amsterdam air market, not least through predatory pricing. In addition, easyJet has issued a writ against KLM.

Although they are united on this front, the two carriers could hardly offer a more polarised style of service, as l discovered when I flew from London to Amsterdam recently with World and travelled back with easyJet.

One of the main differences hetween them is their choice of London airports. Both use Amsterdam's Schiphol, hut World, a oneroute airline, chooses to fly from London City alrport. whereas easyJet flies from its home at Luton airport.

On the day that I sampled the service of World, lan Gibson, UK chief executive of motor maker Nissan, was enjoying a rare treat; a trip in husiness class. Gibson was one of four other passengers in husiness class, savouring a free upgrade secured for him hy Nissan's travel agency

In spite of his rank and the fact that he flies up to 200 times a year, Gibson is subject to the same egalitarian travel policy as all Nissan employees in the UK; all flights are economy class

When executives go Dutch except for long-haul travel, when husiness class is allowed if the return journey

is within a week. The flight to Amsterdam was the luxurious leg of my journey. World prides itself on pampering its passengers, even though its BAe 146-200 aircraft are in the air for only 50 minutes. Selling points include luxury leather seats with a generous 33in pitch, sumptuous food, vintage wines, and a wide array of free magazines

A return flight with World can cost anywhere between £87 in economy (for a heavily restricted fare) and £290 in business. World also offers husiness-class passengers a free night io an Amsterdam hotel, A return with easyJet, a cheap but relentlessly cheerful low-cost operation, is priced at between £70 and £130.

This was Gibson's second flight with World, and he was impressed. "I am flabbergasted by the service. It is not what you expect on short-haul," he said, having tucked into a hreakfast of smoked haddock omelette, asparagus, potatoes sauteed with rosemary, grilled tomatoes, fresh orange julce, melon, rolls and croissants. The aircraft Itself also won top marks; the 146 is quiet, comfortable and spotless. Gibson, based in Sunder-

land, was on the flight because he had spent the previous night in London and had just attended an early morning meeting in the City of London. From there, he was hopping over to Amsterdam for another meeting and intended to fly home to Newcastle airport

that same evening. It was because of this Itinerary, and not the cosseting, that he was ahoard the World flight, "The things that I need are convenience of locatioo, schedule and flexibility in that order." he said. London City was therefore the ohvious choice following his appointment earlier that morning.

The airport, not the airline, was also why Amsterdam-hased Ronald Ouwens was ahoard. Ouwens is financial controller of loss adjusters Cunningham Europe, and had heen attending a meeting in London at the Tower Hill head office of Hamhros, its parent company.

He was impressed with the service and said he would oever fly with an airline such as easyJet. "Low-cost travel is not for husiness purposes," he said. "Once you have hought a ticket. you cannot change it." But on the easyJet flight,

Jan Van der Velden, a compatriot of Ouwens, said he



did not find the inflexibility a hindrance. "The fares are so inexpensive that it is not a problem if you have to huy a new ticket for a different flight," said Van der Velden, who owns a small technical wholesale company in Haar-

Being self-employed, he said, he was driven primarily hy price. "When I worked for the national steel company, I used to travel husiness class, hut that is only OK as long as you are spending someone else's money," However, airport location

was also important. Luton is

London to Amsterdam: a comparison

London City

Introductory offer) Two BAE146-200s

\$234-\$290 (required) in \$199 as

Upmerket food and beverag

£87-£188

£70-£130

World Airlines UK departure airport Number of return flights p Price freturn, busin

Aircraft fleet Other routes

UK departure airport: Price (return): \*.

Aircraft fleet: Age of fleet: Cetering:

many clients he has in the Midlands. Flying with easyJet costs him F199 (£38) one way, whereas he says a return fare with a more established airline to Birmingham would set him back Fl 800-Fl 900.

Van der Helden was perfectly happy with easyJet's inflight service where you certainly don't get what you don't pay for. The interior of the 17-year-old Boeing 737-200 was marked and scuffed and the carpets were threadhare, while catering consisted of a trolley selling drinks and a few snacks. The

conveniently placed for the trolley was pushed hy extremely youthful cahin staff wearing orange polo shirts and hlack jeans. For 70 minutes, though, it was perfectly bearable.

Two Boeing 737-200s; two 737-300s.

Luton to Aberdeen, Edinburgh,

Glasgow, Barcelona and Nice

"It is like a bus. You just hop on and hop off," said Van der Helden. "The crew wear jeans hut they are not sloppy. They are at least as safety-conscious as other air-lines." Furthermore, the Furthermore, the flight, which had about 50 passengers on hoard - of whom approximately 15 were husiness travellers, judged by a count of suits took off and arrived on time, while the ticketless

check-in only took about 30 Another passenger on easyJet, Martin Lelth, had several grievances from earller flights. Among them were waiting a long time for the catering trolley, lengthy

DAMASCUS

check-in queuas and a Leith admitted that this last gripe was mainly founded on prejudice hut it was also partly based on his lack of confidence in the shuttle to the train station. which theoretically runs every 15 minutes and takes 10 minutes to journey through the town's unappe-

tising streets. Matters will be improved next year, when a new station will open much closer to the airport.

Even without that improvement, however, the Luton airport transfer seems perfectly acceptable because it is a very short journey from the aircraft to the arrivals lounge. It took me about 70 minutes from leaving the aircraft to reaching London St Pancras railway station, which I reckon is just as fast, if not quicker, than travelling to central London from Heath-

In any case, as Leith admits, easyJet's good points outwelgh any had ones. With easyJet, cheap fares are clearly an important factor, although airport location matters equally for husiness travellers on both

# Safety

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THE PROPERTY AND A

the UK's west country, looks like beating many nf its husler European rivals with the introduction of 100 per cent haggage screening.

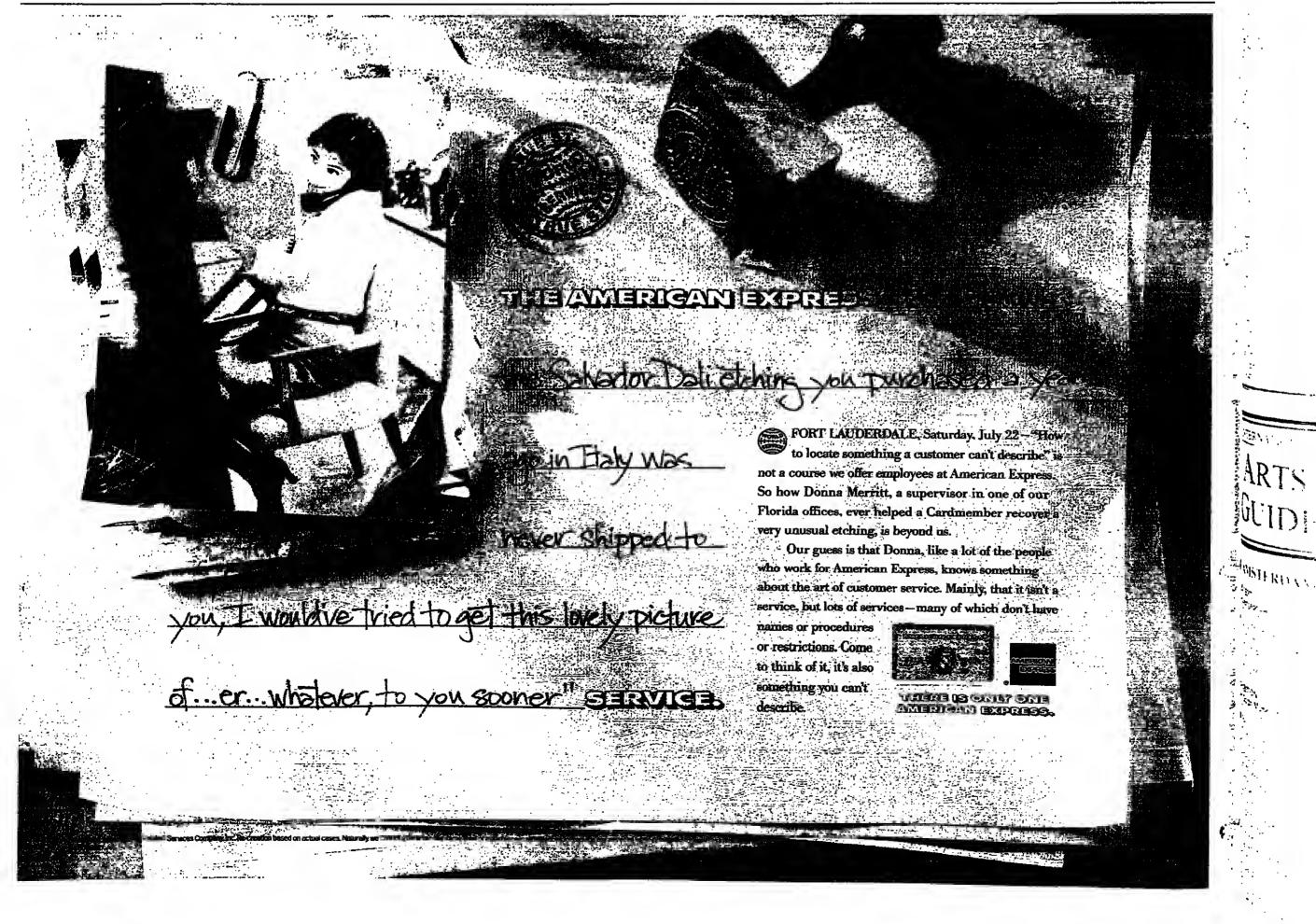
Roger Bray writes. Security experts complain that some governments have heen speedier than others in ordering the Internationally

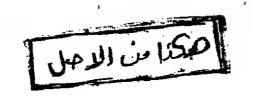
agreed crackdown. The UK has decreed that, hy the end of the year. arrangements must be in place to screen all hags checked on international flights from UK alrports, as well as carry-on bags.

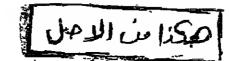
Bristol handles only about 1.5m passengers a year. Its x-ray system should be in

action from October 1. British Airways wants to resume flights to Peru after more than a decade nf absence, according to Carlo Perez, the airline's representative in Lima. BA plans to expand its rontes to the Sonth American country between 1997 and 1998 after evaluating how the Peruvian market responds to Its recent alliance with Aero-

BA hopes the pact will permit it to transport some 100 passengers a day between Lima and London via Miami, Perez said.







EDINBURGH Robert Witson's staging of Virginia Woot's Orlando opens at the Royal Lyceum Theatra norrow, starring Miranda Richardson (below). Robert Lepage's Elsinore, in which the tor performs his own tonight Morris darting appears with his company in three of his most intriguing dance works from tonight until Wednesday.



The New York Philharmonic Orchestra, conducted by Kurt Masur (above), begin its European tour on Thursday at the National Concert Hall, followed by appearances at the Edinburgh festival and the London Proms. The orchestra will also visit Lubeck, Copenhagen, Lucerne, Satzburg, Turin and Berlin. Tour repertoire includes Ned Roram's English Horn Concerto and symphonies by

Beethoven, Bruckner and Tchaikovsky.

ARTS LUCERNE Matthias Barnert, (right) intendant of Switzerland's premier festival, has come up with another Imac programme idea - "The Healing Power of Music". The embraces sacred chent, music fron Bali, Bech's Mass in B minor, Henze's Requien and Mahler's Second Symphony. There are 11 guest orchestras, including the Berlin and Vienna

monics and the City of Birmingham In a variety of handsoma castles Symphony Orchestra conducted by Simon Rattle. and churches. The opening concert is on

INNSBRUCK The programme of this year's baroque music festival is headed by little-known opera L'Argia composed in 1655 for Queen occasion of her visit to Innsbruck. Rene Jacobs conducts, Jean-Louis Martinoty directs and the designer is Hans Schavemoch. The first night is on Sunday at the heater, and the festival continues unti tha end of the month, with conce



ROTTERDAM

The Bolimans Van Beuntnoer Museum is one of several European galleries marking the tercentenary of the 18th century Venetian painter Glovanni Battista Tiepolo (above). Starting on Saturday, it presents a survey of his work in Dutch collections, plus paintings by his followers

ne thing has become clear after this summer's movie blockbust ers. The world will eod not with a bang nor a whimper, but with a long credits roll of risual effects craftsmeo. It is scarcely possible any looger to unvisage a non-digital Judgmeot day, or to believe that God's voice, when it booms out the Apocalypse, will not be on multitrack stereo starting behind our heads and circling round to the

\_ ! For optimists Twister, Independence Day, Mission: Impossible and Arnold Schwarzenegger's latest vehicle. Eraser, have brought some good news and some better, First, we have had a sequel-free summer, a phenomenon not experienced in years. Second. the cinema's verisimilitude techniques bave reached a descriptionbeggaring peak of achievement, Digital lunging, aided by digital sound, can represent absolutely anything, with the possible exception of human belogs behaving like human beings.

Hence the unease experienced by some hard-to-please critics. even as rushing tempests shake their press handouts or exploslous rock their paper coffee cups. The scenery today is upstaging the characters. Effect is overwhelming affect.

This matters less than It might in Independence Day, the summer's record-breaking front-runner, since the object of the game is to wipe out as many millions of people as possible before findme an extra-spectacular way to in the out the wipers-out.

. This science-fletion epic is a shameless, almost freely confessed numbers game in which the lead characters are countdown callers at a potential Armageddon. They are differentiated as simply and heraldically as player pieces in a board game. "Mr Black" is the Afro-American fighter pilot (Will Smith), "Mr White" is the President (Bill Pullmant, "Mr Green" is the queasy alcoholic crop-duster played, for rather more than the scripted

role is worth, by Randy Quaid. The poverty of characterisation is more distressing, certainly more obtrusive, in Twister. This tries ill-advisedly to match its iomadoes with "real" and ruggedly weather-heaten buman beings. But the humans here are truly beaten by the weather. The standardised characters with their standardised crises divorce, jealousy, career ambition - are bluwn off the screen by special-effect hurricanes that we are far more ready to believe have their own minds, wills and

-gassions. This writer's theory of what is happening in the age of digital sound and fury to human loterest, as it used to be called, is the une-day erleket scenarin. Just as subtlety and guile die on the pitch when everything is reduced to a slog-out between irresistibleforce batsmen and immovableobject seam bowlers, nn screen



Iconic responsibility: Arnold Schwarzenegger in the latest action extravaganza 'Eraser'

## Blown away by Hollywood

### Nigel Andrews on the explosive pros and cons of the summer blockbusters

destruction impetus represented; the more it teods to beget a human opposition consisting of beleaguered ciphers delivering down-the-line. B-movie dialogue. Past disaster movies and densely populated action films solved this problem by filling their casts with stars. This way, although the dialogue may not have been Flaubertian, at least there was Charlton Heston, Paul Newman or Ava Gardner bring-

ing their own medium-rich brand of idiomatic infill. Today, most expensive action films cannol afford big stars: all their spare change goes on the computer graphics. Those that do spend money on a marquee name, such as Tom Cruise in Mission: Impossible or Arnold Schwarzenegger in Eraser, burden bim with so much iconic responsibility that he too ceases

hle. Those that are oot ciphers are - larger ciphers. A little less than three years ago in Hollywood, I ran into two barely known European directors

to be human. The rule is inexora-

the larger and more cosmic the starting to make their mark on, things you can relate to. There American action cinema. Back then I wove the two interviews into an article entitled "And they came from outer Europe". The men were Jan De Bont and Roland Emmerich, who have good on to cooquer the world this year with Twister and Independeno: Day.

In 1993, they knew no more than I what the future held. Indeed - and here is surely the moral about cinema and its vengeful, mischievous sereodip-- their admooitions about good and bad movie-making wryly and inadverteotly demooised the very shortcomings that their succeeding superhits would

"There's always an audience for good sci-fi pictures." averred merich, who had just made the characterful, low-budget space fantasy Storgote. "But they must come from the heart. The fans come to these films because they want an 'event', they want to get into another world. But it has to be original. There have to be ecough emotiocal, persocal

has to be a theme and characters you can relate to."

Independence Day? Meanwhile, De Bont insisted that an audieoce had to he treated "with respect".

"They have paid their S8, they must be given something they can take seriously." he said. And

Today, most expensive action films cannot afford big stars

analysing the success of his first film Speed, that modestly made master-thriller ebout a runawey bus: "Everything should be real. The people oo the bus are people you believed could be oo the bus. If you were to put Bruce Willis on, you wouldn't believe it. I took away as much that was violeot or far-fetched as I could."

Yet the \$70m Twister, unlike the \$20m Speed, treats its audience with almost scurrilous con-Theme? Characters? Heart? In tempt. It parades its cardboard, stereotypical characters through a plot as far-fetched and physically sensationalist as any large-

screen rollercoaster in history. So what are we to believe? Probably that present-day audiences don't want characters or don't need them if the effects are big and snazzy eoough, and that film-makers too give up on characterisation if they are coovinced that computer-enhanced cataclysms can carry the day.

Perhaps too though, peering further into the smoke and mayhem and last-trump pyrotechnics, there is another dimeosion. In the unmediated laylog-on of hands that is the modern Hollywood action spectacle the audience itself is the "character". The story of Twister is not about a group of stick figures being blown around Kansas by poor weather, it is about us being hlown around by special-effects

meteorology. The story of Independence Day.

 Being William Momis: A Centenary Exhibition: exhibition

seeking to show a picture of

manifestations and careers: poet,

includes a widely diverse group of

bindings to wellpaper and fabrics;

objects, ranging from books and

novelist, illustrator and collector,

Williem Morris in his various

among others. The display

to Sep 1

PARIS

EXHIBITION

likewise, is about us cowering in our seats at the wall-to-wall, floor-to-ceiling shadows cast by the alien ships: Messrs Smith. Pullman and Quaid are merely incldental. And Mission: Impossible and Eraser also privilege the audieoce as the main dramatis personae. For movie characters drawn and numbered in depth would merely get in the way of the direct screen-to-stalls trajectory of the bullets, explosions and apocalyptic oce-liners. Indeed Mission: Impossible, with a teasing and surely deliberate insolence, throws almost all its supporting characters off the plot carousel in the first sceoe.

So the thin line between fea ture film and fun park becomes thinner with each Hollywood summer. We should out oecessarily mourn the trend, "Characters", "themes" and "beart" can all be found in other smaller movies. But we should at least make ourselves eware, and wary of the treod. A film is a film, and a fairground ride is a fairground ride, eveo though both are now available at your local cinema.

## Theatre Musical milestone

The place of The Fantasticks in musical history is secure and gets more secure by the day. It opened off Broadway in the Sullivan Street Playbouse in 1960 and never closed. But The Fantasticks must bave more than curiosity appeal to make it the longest running musical io the world, and its youthful creators - Tom Jones wrote the words and Harvey Schmidt the music - did move on to bigger things with I do! I do!. The chance to see a rare UK revival, in a suitably intimate theatre, is irresistible.

And should oot be resisted, What a world was lost with the coming of the "me" generation and the sexual revolution of the 1960s. Like its oear-contemporary Salad Days, The Fantosticks belongs to an age when charm and whimsy were still regarded as entertaining.

The Fantasticks is made even more irredeemably twee by being based on a play, Les Romonesques, by the French romantic versifier Rostand. It is superbly soppy and wonderfully wet.

This can cause problems for the cast - how do you resist winking at the audience? Jonathon Morris (yes, the Bread man) as El Gallo, the worldly matchmaker, almost crosses the har with a performance of effortless egotism, hut Joseph Millson, as the enthralled youth Matt. is commendably whole-hearted. even when wooing a lispy Luisa in which Katey Crawford Kastin veers closer to Violet Elisabeth Bott than a hreathless 16 year old. Their great duet "They Were You" could have been a happier experience.

But you must leave your critical baggage at the bar, surreoder to the dreamy sentiments of the celebrated opening song "Try To Remember", and drift through two hours of fairy-tale eochantment.

Michael Cotterill as a Shakespearean ham and Kim Joyce as his sidekick specialising in death scenes provide some much needed comic low-life, and just to ensure you return for the second half there is the clever conceit of the happy eoding arriving with the interval.

Dan Crawford provides a light directorial touch to a basically bare stage, and although El Callo's departing moral "You Must Keep the Wall" is baffling, there is no escaping the pleasure in experieocing the mushiest of musical meringues eveo in this under-cooked form.

**Antony Thorncroft** 

At the King's Head, N1, until

# INTERNATIONAL

#### ■ AMSTERDAM CONCERT

31-20-5730573 Jeugd Orkest Nederland: with conductor Roland Kieft and homist Jacob Slagter perform works by Bus. R. Strauss and Grainnis: 8.15pm; Aug 13

EXHIBITION

Van Gogh Museum Tel: 31-20-5705200 The Colour ot Sculpture 1840-1910: this exhibition demonstrates the methods and materials used by 19th century artists to apply colour as an expressive medium to their sculptures. The exhibition. leaturing 100 sculptures in colour. is divided into five categories: Classicism, Neo-Gothic, Salon Art. Impressionism, and Fin da Siècle. Artists represented include Camille Claudel, Charles Cordier. Paul Gauguin, Arnold Böcklin.

Jean-Léon Gérôme, John Gibson,

Medardn Rosso, Fernand

Khnopff, Max Klinger, Pablo

#### Picasso, Auguste Renoir and Auguste Rodin; to Nov 17

**BERLIN** EXHIBITION Neue Nationalgalerie Tel: 49-30-2662662 Georg Baselitz: large

retrospective exhibition devoted to the work of Georg Baselitz. The display includes 100 paintings and 10 sculptures from Europaan and American collections; to Sep

### ■ CHICAGO

EXHIBITION Museum of Contemporary Art Tel: 1-312-280-2660

 Negohating Rapture: a loan exhibition teaturing work by internetional contemporary artists. Including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Houshiary, Anselm Kieter, Agnes Martin, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola; to Oct 20

### **■ DUBLIN**

CONCERT National Concert Hell -Ceoláras Náislúnta Tel:

353-1-6711888 The New York Philharmonic: with conductor Kurt Masur and homist Thomas Stacey perform works by Rorem and Bruckner; 8pm; Aug 15

### LONDON

EXHIBITION Institute of Contemporary Arts

#### - ICA Galleries Tel: 44-171-9303647

 Gabrial Orozco: the first solo exhibition in Britain by the Mexican sculptor. Orozco takes his cues from ordinary, often urban, settings end even mora prosaic meterials, such as a rubber inner tube, e lumpen ball ot plasticine, a lin of cat food or the cap of a yoghurt container; to

Tate Gallery Tel: 44-171-8678000 Hans Hartung: exhibition featuring more than hundred drawlngs by this German-born artist (1904-1989). The show explores his precocious discovery while still a teenager in Germany of gestural ebstraction which became nne of the dominant forms of art after the second world war. The exhibition examines the many phases of his development to the height of his success in the mid-1950s. The works on display are selected from the artist's own collection, and ere lent by the Fondation Hans Hartung et Anna-Eva Bergman at Antibes; to Oct 20

#### THEATRE The Pit Tel: 44-171-6388891

The Phoenician Women: by Euripides. Directed by Katie Mitchell and performed by the Royal Shakespeare Company; 7.15pm; Aug 12, 13, 16, 17 (also

#### **LOS** ANGELES-MALIBU EXHIBITION

The J. Paul Getty Museum Tel:

1-310-459-7611 19th Century French Drawings: exhibition of 25 drawings by 19th century French masters from the museum's collection, with examples from Neo-Glassicism through Post-Impressionism, including works by Gézanne. Delacroix, Gericautt, Ingres, Millat,

Manet and Degas; to Aug 25

### ■ MADRID

EXHIBITION Museo Nacional Centro de Arte Raina Sofia Tel: 34-1-4675062 Oscar Dominguez, Antológica (1926-1957): retrospective exhibition devoted to the Spanish Surrealist painter and sculptor Oscar Dominguez. Tha displey teatures approximately 170 worka from all stages of his artistic career, including paintings, works on paper, sculptures and other objects. The works on display come from European and American private and museum collections; to Sep 16

### ■ NEW YORK

CONCERT Avery Fisher Hell Tel: 1-212-875-5030 Mostly Mozart Festival Orchestra: with conductor Gerard Schwarz, flautist James Galway and harpist Naoko Yoshino perform works by J.S. Bach, Mercadanta. Mozart and Handel,

#### 8pm; Aug 13 EXHIBITION The Pierpont Morgan Library Tel: 1-212-685-0008

Part of the Mostly Mozart Festival;

Centre Georgas Pompidou Tel: 33-1-44 78 12 33 L'intorme: exhibition focusing on the history of Modernism. The display includes works by Pollock, Duchamp, Fontana, Smithson, Warhol, Hessa, Dubuffet,

> Musée dArt Moderne de la Ville Cleude Lévêque - My Way: exhibition teeturing work by the French artist Claude Lévêque; to Sep 22

#### ■ SALZBURG CONCERT

Grosses Feetspielheus Tel: 43-662-80450

 Hermann Prey: accompanied by pianist Michael Endres. The baritone performs ballads by Loewe. Part of the Salzburger Festspiele; 11am; Aug 15

### SYDNEY

**EXHIBITION** Art Gallery of New South Wales Tel: 61-2-2251700

 Kandinsky and the Russian Avant Garda: exhibition charting the rise and fall of modernism in Russia. The display includas works by artists such as Kandinsky, Malevich, Rodchenko, Goncharova and Popova. Many of the works have rarely been see before, since thay are drawn from museums throughout the former Soviet Union, from Omsk. Astrakhan, Nizhny Novogoroda and beyond. In many cases thay were hidden from view because Russie's adventure with modern art was despised and banned by

#### **■ WASHINGTON EXHIBITION**

later Soviet idaalogues; to Aug 18

Arthur M. Sackler Gallery Tell Reuschenberg and others; to Aug -202-357-2700 Preserving Ancient Statues

from Jordan: eight examples of whet may be the oldest human sculpture in the Neer East, recovered from an ongoing excavation in Jordan, are featured in this exhibition highlighting conservetion and study of archaeological material Photographs document the journey of these ancient plaster statues deling from the 7th millennium BC from their excavation 10 years ago through the conservation and treatment process: to Apr 6

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inancial merkets Financial Times Business Tonight

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10.00 European Money Wheel

18.00 Financial Times Business Tonight

Michael Prowse · America

## Victory either way

With Jack Kemp on the ticket, the Republicans can woo a public already in decidedly conservative mood

Mr Bob Dole's choice of etantially and proposed a Jack Kemp ss a running government takeover of mate is by far the best decision in his lacklustre cambealthcare - one seventh of paign. Mr Kemp, a former the economy. Immediately after the Republicans' concongressman and cabinet gressional victory in 1994 he official in the Bush adminisswitched to favouring tax tration, is a hero to many American conservatives cuts and smaller governbecause be is willing to argue passionately for free markets and individual freedom. He must be the first vice-presidential candidate

As the architect of the Reagan tax cuts of the early 1980s he will appeal to elements in the Republican hope to be elected. party long turned off by Mr Mr Clinton's posture on Dole's caution and auster-ity. He will help unify and energise a party that only last week seemed fractious and dispirited. Yet as a former quarterback for the Buffalo Bills, and as a politician who evidently cares deeply about the problems in American inner cities, he will also garner support

natural Democratic voters. As the Republican convention opens in San Diego, the scene is thus set for a much more competitive presidential race than previously seemed possible. Mr Dole, with the articulate Mr Kemp at his side, should benefit from what can only be described as the natural conservatism of the US elec-

from minorities and other

who likes to quote from the

works of F.A. Hevek, the

Austrian philosopher of lib-

torate. The events of the past two years confirm that the US is in a more conservative mood today than in 1992, or even in 1988 when George Bush won the White House. And the reviled Speaker of the House, Newt Gingrich, erves much of the credit for the ascendancy of conservative ideas, even if his role as a lightning rod left him personally damaged.

The somersaults Mr Clinton has performed to regain popularity only underline the conservative tilt in public opinion. In his first year

in this year's state of the union address he sought voter approval by solemnly declaring "the era of big government is over" - a line that could have come straight out of the Gingrich contract. In today's political climate a presidential candidate dare not sound like a traditional Democrat and

welfare is perhaps the most striking evidence of changing public opinions. A decade ago, President Ron-ald Reagan would not have dreamed of cancelling a fed-eral entitlement dating from Franklin Roosevelt's "New Deal" of the 1930s, let alone imposing explicit time lim-

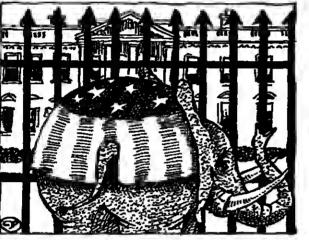
Such ideas were beyond the pale. Yet after some soul searching Mr Clinton agreed to sign the legislation despite the opposition of senior Democrats in Congress and leftwing pressure groups - because such measures now command broad public support. In a New

in office be raised taxes sub- York Times/CBS poll last in 27 years and forced Demweek, only 6 per cent of ocrats to accept, at least in respondents opposed Mr Clinton's stance on welfare. Many thoughtful Demo-

crats backed the Republican bill. The public, wrote Mr Will Marshall, president of the Progressive Policy Institute, a centrist think tank, regards welfare as "a trap that smothers initiative, instills passivity and dependence, and isolates the poor in e subsistence economy". What people want - and what the new legislation offered - is a "system organised around the moral and practical imperative of

In a passionate editorial the Democratic-leaning New Republic magazine urged Mr Clinton to sign the bill because it "will, finally. start the process by which America's underclass problem can be solved". Nor is acceptance of con-

servative solutions in welfare an isolated phenomenon. The Gingrich Congress also passed ambitious legislation to deregulate the telecommunications market and to begin what will be a long battle to eliminate farm subeidies. Although defeated in a bid to curb the growth of Medicare, the public bealth care plan, it cut domestic discretionary spending for the first time



principle, the merits of balanced budgets. It passed legislation to put a V-chip in television sets, allowing parents to block offensive material

More speculative evidence of e conservative mindset includes intense frustration with public (governmentrun) schools. States are now beginning to experiment with voucher schemes allowing parents to spend tax-dollars in private and religious schools. There are even signs of

distillusionment with Social Security, the ballowed public pension programme. Last week the Cato Institute, a libertarian think tank, released a poll suggesting that two-thirds of voters would rather invest their contributions in private savings plans, such as unit trusts, than rely on the government scheme.

Mr Clinton'e lead in the polls should not, therefore, be seen as evidence of an anti-conservative backlash. On the contrary, he is popular only because he bas moved to the right. In past decades, Republicans helped advance liberal (leftwing) President Richard Nixon

for example, imposed price and wage controls, created ths Environmental Protection Agency and proposed a gnaranteed minimum income for all Americans. He did so because these ideas were then popular. It is no more ironic that Mr Clinton has had to embrace rightwing cause

Conservatives should thus relax. The outlook is quite bright whoever wins this November. If Mr Kemp helps propel Mr Dole to victory, the US will tilt sharply in a free market direction. But if Mr Clinton wins, he will be constrained by the climate of public opinion to adopt conservative policies. It is heads Republicans win, tails the Democrats lose.

## LETTERS TO THE EDITOR

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Translation may be available for letters written in the main international languages.

## Benefits of competitive devaluation a myth

From Mr Matthew Richardson.

Sir, I am writing with regard to your article Belgium prepares its system for euros" (August 9) and in particular to the ludicrous suggestion that member states that do not join the proposed single currency will face sanctions if they "devalue their currency to gain competitive

I find it disturbing that Mr Philippe Maystadt, the Belgian finance minister still believes in the myth of competitive devaluation.

Past experience in the UK and other European countries shows that the policy has created anything but an sdvantage for those governments that have pursued it. In each and every case, the benefit of short-term export growth has been rapidly extinguished by a rise in inflation and a general

confidence. The sustained economic recovery enjoyed by Italy and the UK since their departure from the ERM in 1992 reflects the

deterioration in economic

fundamental flaws in Emu and not the supposed benefits of comparative devaluation.

Mr Maystadt fails to understand that the devaluation of sterling and the lira was forced upon the UK and Italy by currency markets and was not the result of government policy. In sbort, that devaluation was very different from its

If Mr Maystadt and bis supporters wish to go ahead and join the proposed single currency I wish them luck but would ask him not to

use the myth of competitive devaluation to justify threats. against those atates that decide to opt out.

I suspect that the real reason for these empty threats is the realisation that there is no benefit to opting out of the single currency but significant economic disadvantages to those nations that decide to participate.

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Regulat

Matthew Richardson, 25 Stanley Market Road, Stanley. Hong Kong

### Privatisations offer rich pickings

From Mr Andrew Couch Sir, We note that the current controversy surrounding the Kleinwort Benson European Privetisation Trust ("Investors attack Kepit directors' lacklustre record", August 8) has led some commentators to throw doubt on the logic of investing in the privatisation sector, especially in Europe. We would like to point out that investors in the Kleinwort Trust owe much of their losses to a widening of the discount. resulting from the closed end structure. True, the asset performance has also

been poor but part of this can be explained by the overly restrictive investme policy - of picking stocks among companies privatised in the last five years. This

was a mistake given the huge £500m of assets to be invested after the launch.

European privatisation stock performance has been clouded by a few large, headline issues in the weak market conditions of 1994 and 1996, principally in France and Italy (UAP and BCI being the most spectacular flops). These failed issues were the result of tight pricing by the respective governments but there is proof that these lessons have now been learnt. AGF (French insurer) was priced at a 30 per cent . , discount to net asset value and the innovative Italian convertible bond issue for ; INA (insurance) was five times oversubscribed.

There are potential rich pickings in the European privatisation universe and

the timing for investment is opportune. The current low growth, low inflation environment is forcing a strong restructuring trend among European companies. Privatisation stocks, with the largest potential productivity gains, stand to benefit the most. In addition, privatisation outside Europe, in Asia-Pacific, Latin America and eastern Europe should continue to produce strong gains. Indeed, the fact that

Andrew Couch, Fund Manager of Guinness Flight Global Privatisation Trust, Lighterman's Court,

the privatisation sector is

makes us more optimistic.

currently out of favour

5 Gainsford Street,

### Unjustifiable comparison

From Mr Nicholas Crosby Sir, It is regrettable that Edward Mortimer ("A mild patriotism", August 7) has euccumbed to the fashionable yet malign comparison between the failed federations of the Communist bloc and the successful European Union. The Soviet, Czech and Yugoslav federations were autocracies, with closed economies, founded upon the rule of force. The European Union is made up of democracies, with open economies, founded upon the rule of law. Comparing the two systems is as fatuous as it is offensive.

Nicholas Crosby, 15 Avonmore Road,

London W14 8RP, UK

### European Commission rule puts more beers on tap

From Dr Peter Dixon. Sir. The action by the European Commission on guest beers would not sink small UK breweries ("Small brewers hit back at EU beer

rule\*, August 7).
It follows complaints that present rules discriminate against guest beers which are not cask conditioned, a process used almost exclu-

sively by UK breweries. The Commission has ted new rules thet sugge would allow guest beers in. pubs to continue to be reserved for small breweries which produce less than a certain quantity of beer per year or with all annual turnover below a certain thresh-

Pubs would have more

choice about which guest beers they stocked and there would be no question of any beer being imposed on them.

The Commission has previously acted to open up continental beer markets, notably Germany and Greece, to UK beers, where the authorities refused to allow beer to be sold if it was not made according to a traditional

recipe. It is hardly surprising therefore that the Commission has acted against UK rules that restrict imports from other EU countries.

Peter Dixon. bead of political affairs, The European Commission, 8 Storey's Gate, London SW1P 3AT.

### Disputes for the 1990s Tony Jackson on UK public ingly, therefore, the project has been postponed to the

strikes by the UK Post Office and the London Underground might suggest a late 1970s. Taken with the likely return of a Labour government, the spectre is all too familiar: chaos in the capital, unburied corpses and rubbish in the streets. Calmer reflection suggests

nothing of the kind. Transport and postal strikes catch the nstion's attention; but across the economy as a wbole, the reality is that striks figures are still the lowest on record.

Critics might pose a different question. Recent strike threats in the private sector, such as that by British Airways pilots, have been quietly averted. Why do public sector managers seem so moch less adroit in handling disputes?

parts. First, today's public sector managers often come from the private sector. The Post Office chairman is an ex-director of personnsl at Unilever. The head of London Underground was formerly with British Airways. His boss, the chairman of London Transport, comes from Harvard Business School, McKinsey and P&O.

The second part of the answer goes to the heart of what the two disputes are about in both cases, management is trying to change the organisation's culture: to make it less rigid and more capable of change. The ultimate goal, in both cases, is to make the workers think and act more like their

private sector counterparts.
Thus, the Post Office is trying to move away from its old hierarchical culture towards a system of teamwork. London Underground is trying to reform a struc-ture in which, for instance, boliday rotas are still organised by the workforce rather than the management.

The ultimate driving force in both cases is the same: the need to attract private sector finance. At the extreme, this means privatisation: explicitly advocated by Post Office management, and unlikely to be opposed by London Transport.

It might seem an odd time for managers to be thinking in those terms. Even in the unlikely event of a Tory elecsector strikes and the search



PO lock-up: managements want to see structural reform

Post Office, while still a Tory objective, would prove difficult and contentious. As for London Underground, privatisation has apparently been dropped from the Tory manifesto as being too politically

sensitive.

For a Laboor government, of course, privatisation under that title, at any rate would be anathema. But the main issue would remain. The Post Office and London Underground need to invest heavily if they are to carry on doing their jobs. The more they can present themselves in private sector guise, the easier it will be to attract private finance.

In the Post Office's case, this might seem perverse. Investment is certainly needed to keep pace with the rapid development of electronic media and digital information. But in a private sector context, the Post Office would have no trouble at all in raising the money.

Its management, after all, would have a good story to tell: a consistent record of tion victory, privatising the profit, strong cash flow and

a remarkable level of customer satisfaction. At present, the Post Office is not allowed to borrow, since that would count as government debt. But as a private company, its balance ebeet would allow it to borrow well over £1bn without

The case of London Underground is less clear cut. If its accounts were drawn up in private sector fashion, its operating loss might be relatively small. But by comparison with the Post Office, it is bugely capital intensive. This year, it will swallow close to £1bn of taxpayers' money, of which more than half will be spent on the new extension to the Jubilee

Attempts to help out with private finance have so far proved tough going. The £2bn-plus London CrossRail project, providing an underground link between the capital's railway termini, is supposed to contain an element of private funding. But the main burden will fall upon the taxpayer. Unsurpris-

The government's Private Finance Initiative ie supresults so far are not encouraging, The Northern Line of the Underground is being supplied with some £800m worth of new trains through a leasing arrangement with the suppliers, GEC Alsthom. But even that was opposed by the Treasury as being in breach of its rules, as was a plan to lease out some of the automatic barriers at Under-

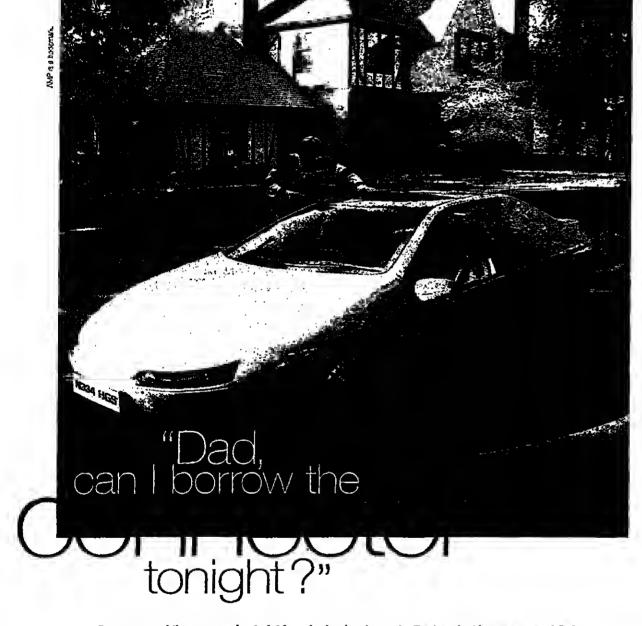
ground stations. It would be perhaps unfair to single out the Treasury as the culprit. The history of nationalised industries in the UK has left its scars. In their heyday, investments by nationalised companies too often proved disastrous. An important reason was that since spending was ultimately backed by government, managers lacked the guidance of the market on the balance between risk

and opportunity. Given the context, today's public sector managers might well feel occasionally helpless. Their ownership structure is unsuited to the job they have to do. Their workers, meanwhile, have no incentive to speed the transition to a private sector model, since they have every evidence that it means upheaval and insecurity.

There is a central irony to all this. The City and the financial markets are criticised for being short-termist. In the closing years of the century, the reality is just the other way round.

Governments - not only in the UK - are increasingly weighed down by the fiscal burden of pensions and unemployment. Long-term capital projects are no longer to be thought of especially by governments which know that proposing taxes to pay for them would spell doom at the polls.

The world is therefore reverting to a 19th century model, whereby long-term private savings are channelled by the financial institations into long-term investments. The problem is not one of a shortage of funds. The question is rather how public sector managers, squeezed between bostile owners and resentful employees, can gain access to the money.



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## Dole's grand old mess

Boh Dole's choice of Jack Kemp mate has hreathed new hope paign. Delegates arriving in San Diego this weekend for the Republican party convention are already talking of historic turning points, and a shock victory at the polis.

Mr Kemp is a shrewd selec-tion. But relief that Mr Dole has finally pulled something out of the hat should not distract from the underlying weaknesses of

Elghteen months ago few would have guessed that the choice of a running mate could assume such significance. But the Republicans and Mr Dole were running high in the polls against President Bill Clinton. Retaking the White House seemed only a matter of time.

It has not been entirely downhill since then, Republican ideas are still the ones to beat in mainstream political debate in a way they were not in 1992. But the Grand Old Party itself is landed with a platform that is a mess of contradictions, and a candidate whose languishing campaign embodies them.

The questions Mr Dole and his party need to ask this week are, first, how did things go so wrong? And second, can simply putting Mr Kemp's name on the ticket revive their fortunes?

The answer to the first question is a mixture of bad luck and poor judgment. The bad luck, for Mr Dole, was to be even harder than usual to paper over the differences between the party's many warring factions.

Bad judgment

The 1994 Contract with America had contained something for everyooe. As a result, each group thought that It had won" the November congressional elections and was therefore in no mood to moderate its position on issues such as abortion, immigration or the hal-

The bad judgment was for Mr cole - and his supporters - to believe that he was the man for these tough circumstances. There may oot be any senior

as his vice-presidential running could bridge the party's divides as effectively as Ronald Reagan. known moderate and compromiser. Mr Dole may have been particularly ill-suited to the job.

After years in the Senate, his tnstinct has been to try to appease everyone. The upshot is that his campaign, as pundits are fond of pointing out, has failed to express a coherent message. It has been, rather, a mess of individual positions, most of them far from the centre-right ground on which Mr Clinton has now ensured that the election will be fought.

Tempt voters

Embracing the supply-side agenda, in the economic plan unveiled last week and in the selection of Mr Kemp was, arguably, the only option Mr Dole had left. The ex-football star has other political attractions. But the main point of his sele must be to convince the doubters that Mr Dole's last-minute conversion to the supply-side

cause is genuine. Promising to deliver an improhable combination of lower taxes, a balanced budget and faster growth may be the only way to unite the Republicans. Whether, in the present climate, it can also tempt voters away from Mr Clinton is another matter.

Running mates do not win presidential elections. Presidents can lose them; a big mistake or scandal, from Mr Clinton could yet turn things around for Mr Dole. Either is possible. But the Republicans would be unwise to bet on such a miracle from a seasoned campaigner

The real trouble is that the president has co-opted the large chunks of the Repoblican agenda which voters now sup-port, leaving Mr Dole looking

like an insincere radical. The GOP's thoughts look set to dominate US politics over the next few years. But, on present reckoning, it, may be that the only way the Republicans can get their ideas into the White House is through a Democratic

## Regulating Nasdaq

America's Nasdaq stock market is justifiably proud of its record as a lightly regulated forum for young, fast-growing businesses. many of them in high technology, to raise equity capital. Those it has helped flourish include the computer industry's Intel and Microsoft, and MCI. the phone group. Much of the US stock market boom of the past 18 months has been driven hy high-tech stocks, focusing nnprecedented investor attention on the daily movements of

the Nasdau composite index. But an uply side to Nasdaq's operations was highlighted last week by the Securities and Exchange Commission. It accused the National Association of Securities Dealers, which runs the market, of failing to enforce its own rules and US securities laws adequately. The spreads between the prices at which dealers were prepared to huy and sell shares were sometimes "not the result of natural economic forces" hut of dealer co-operation, including harassment of any traders who stepped out of line. Other practices that drew its fire included late reporting of trades, sometimes in a co-ordinated attempt to mislead investors.

Reform plan

The iltany of wrongdoing secompanied an SEC announcement that it had reached a settlement of its complaint with the NASD, which will require the association to carry out a 14 point reform plan over the next two years. The actions include maintaining at least 50 per cent independent membership of its board; giving greater powers to its regulatory staff; improving audit trails and the reliability of trade reporting and outlawing price quote co-or dination.

The SEC move is to be welcomed. The actions of which NASD members stand accused (the association neither admits nor denies the findings) are reprehensible, both for shortchanging investors and for undermining the transparency and efficiency of the market. The affair also raises fresh greater maturity.

questions about the value to investors of electronic quotedriven systems, such as Nasdaq and London's Seaq, compared with new computerised order matching systems.

Court order

But neither party comes out of this affair with distinction. It does not say much for the SEC's investigatory zeal that the inquiry into Nasdaq appears to have been prompted in large part by an academic paper two years ago claiming that dealers maintained artificially large spreads. That spurred not only the SEC but also a second inves tigation by the justice depart ment and a third by the NASD itself, in the form of the Rud man panel. The justice depart ment settled its case with the NASD last month, with dealers promising to improve compll ance procedures under a court order. The department has set up a hotline to receive inves tors' complaints about the market. The Rudman panel has also prompted substantial opera tional changes, in other words significant parts of the SEC set tlement, which has been slow in coming, are already heing

The cost of full compliance with the SEC's demands is put at \$100m, which will presumably be met from the pockets of NASD member firms. It will be money well spent if it reassures investors and companies of tho quality and probity of the market. So far, companies that have grown up with Nasdaq have shown no great inclination to move to the more presticious New York Stock Exchaoge though there is a small annual drift. Nor are investors apparently shunning a market where some of the most exciting share

price action is to be found. But continued evidence of lax discipline could eventually drive customers away and undermine Nasdag's boast that It is the stock market for the "next century". Having passed its 21st birthday, it is time Nas dag put aside the wildness of adolescence and demonstrated

## Tigers pause for breath

Adverse currency movements and faltering demand for electrical goods are upsetting the region's prospects, says Peter Montagnon

Asian electronics: growth begins to slow

o Mr William Over-hoit, regional strate-gist for Bankers Trust in Rong Kong, this year brings uncanny echoes of 1985, the one occasion since the second world war when the territory suffered an actual decline in economic output Now as then, he says, the economies of Asia are depressed by poor export performance as a result of the strength of the US dollar, to which most regional

ies are effectively linked. Admittedly things are not quite as bad as 1985. Paltry though tt was, Hong Kong still managed to notch up positive growth of 3.1 per cent in the first quarter of this year, but the happy ending may take longer to materialise than it did 10 years ago. The do-lar's decline after the Flaza currency agreement of 1985 brought dramatic results: Hong Kong's economy recovered to grow by a

sparkling 13 per cent in 1986. With no such rescue in sight this year, a combination of weak demand in the industrialised world, particularly for electronic goods, continues to upset Asia's export prospects and, hence, economic growth. That in turn is sparking fresh debate on whether the region's economic miracle can he sustained.

Steep falls of about a percentage point, or in some cases even more, are expected in the growth rates of a long list of countries, including China. Thailand, Malaysia, South Korea and

Across the region, the strains are starting to show. One sign of trouble was the recent attack on the baht which forced the Bank of Thailand to spend well over \$1bn defending its currency against speculative selling in the wake of a bleak economic forecast from the bank itself.

The bank predicted Thailand's growth would reach 7.8 per cent this year instead of the 8.3 per cent forecast earlier. Exports would rise by 10.2 per cent, it said, compared with the original forecast of 17.4 per cent and an increase of 23.6 per cent in 1995.

Dr Mahathir Mohammad, the Malaysian prime minister, warned this month of possible import controls if a voluntary restraint scheme is not successful in reducing the country's large balance of payments deficit. Last month Crundig (Malaysia), part of the Philips group, said it was closing its plant in Penang amid complaints by executives there of exploding costs.

In South Korea, where exports fell in July for the first time in 42 months, public service television is lambasting viewers who drink imported whisky as part of a campaign against luxury

Chinese manufacturers cite delays in VAT rebates and last year's credit squeeze for the 8.2 per cent drop in their exports in the first half of this year.

It is tempting to discern permanent change in such a catalogue of woe. Yet most economists argue that only a small part of the trouble is structural. The largest culprit, they say, is the currency market where the dollar has risen by 35 per cent against the yen since its trough last year. For South Korea, whose exports of cars and finished electronics compete head on with those of Japan, this has been a

particular hlow. Japanese compa-

nies have started cutting their per cent fall in exports, he says, would have lost interest in dollar prices again, now the Among south-east Asian coun investing in the region. exchange rate movement has tries, Thailand and the Philip Like other economists allowed them to rebuild their margins, says Mr David Semple, of Peregrine Securities, in Hong recently.

For other countries, like China, the dollar's rise means a real appreciation in their own currency. Over the past 32 months the Chinese yuan has moved to 8.3 to the dollar from 8.7 but China has had much higher inflation than the US, says Mr Overholt. Mr Semple reckons the yuan has appreciated by 13 per cent in real terms over the past

Experience shows that a rise in the real exchange rate feeds through quickly to exports, adds Mr Ng Bok Eng, regional economist at Deutsche Morgan Grenfell in Singapore.

For Singapore the correlation is quite clear: a 1 per cent rise in pines have seen the fastest real rise in their exchange rates

Thailand's resulting troubles are well documented, though the Philippines has bucked the general trend with an underlying rise in manufactured exports as more foreign companies set up production plants there.

But not all economists agree that the currency movements are most to blame. Productivity gains should offset much of the real appreciation, says Mr Neil Saker, Crosby Securities in Singa-

Labour productivity has failed to keep up with wage costs, espe-cially in Malaysia where wages rose three times faster than productivity last year. But Mr Saker reckons that overall south-east Asian productivity continues

Like other economists, he says weak demand in the industrial

world has been an important factor in curhing Asian export growth. Import growth in the G7 group of leading industrial countries contracted to 2 per cent in March from 19 per cent in the middle of last year, adds Mr Ng. Weakness of the electronics market due to the collapse in aemiconductor prices and the slow personal computer market

balf Singapore'a exports, more than half those of Malaysia and about 30 per cent of those of

Eventually the electronics market should recover. Mr Ng reckons the third quarter will be its worst. Mr Overholt notes that the U3 economy is growing quite fast and Japan's economy is recovering. That should boost

demand for Asian exports; the first signs of an improvement are already appearing in both Malay-sia and Thailand, he says.

But the exchange rate factor may be harder to deal with, even though the dollar has now stabilised against the yen.

Yen against the dollar

(Y per \$)

With the notable exception of China with its large reserves and current account surplus, most Asian countries cannot easily afford the uncertainty which would flow from allowing their currencies to depreciate.

"If you change the currency regime, it makes the foreign exchange markets nervous," says Mr Semple of Peregrine. Indon-esia, Thailand and Malaysia all have large balance of payments deficits which must be financed by capital inflows. "A large part ese inflows is attract relative yield," he adds. "If global interest rates stay tha same and the exchange risk premium goes up, local interest rates have to

s for structural problems, export weak-ness has again focused attention on whether Malaysia and Thailand have the capacity to mova into more sophisticated higher-value manufacturing.

Hong Kong used to make its money from blue jeans. Now it makes it from financial derivatives, Mr Overholt says, He believes Thailand is already beginning to follow suit. But even Thai policy-watchers worry how far their country, which has no long tradition of compulsory secondary education, can travel

down this road. In a relativaly encouraging recent analysis Salomon Brothers said Thailand did appear to be managing to move up the value-added chain. Traditional exports, like textiles, have been shrinking while those of computer parts and electronics have been on a long-term rising trend, the US investment bank said.

Thailand and Malaysia are not quite at the big end of technology, and they don't have the skilled labour. Nor do they have the cost advantage Indonesia has," says Mr Saker, "They're at an in-between stage which will be difficult to manage. They should be more aggressive in opening up their labour markets to foreigners. That creates political problems; but at the end of the day I don't think they've got a choice."

A more important lesson from this year's experience may be a broader one: for all the much vaunted growth in regional trade. Asian manufacturers are still ultimately dependent on deveioped country markets.

Suggestions that Asia is on the verge of acquiring economic momentum of its own which would insulate it from the cycle elsewhere look premature. Indeed some argue that the structure of regional trade, which is heavily orientated towards exchanges of industrial inputs, creates a gearin Europe is an aggravating ing effect which only makes life factor. Electronics account for more painful when global demand falters.

"Purchasing power is rising in Asia, hut it's nowhere near the levels of the west. The west is the ultimate buyer of what Asia produces," says Mr Ng. Sadly for the region's factories, that means success still depends on the production of goods that meet the whims of western huvers at prices they are prepared to pay.

## BSERVER.

### Corridors of silence

The moral of "more haste, less speed" notwithstanding. Australia's new federal government's silence over key ppointments is becoming

For a start, there is the estion of who will succeed Bernie Fraser as governor of the Reserve Bank of Australia, the central monetary authority. Preser is due to step down on September 17, at the end of his seven-your term.

To date, the most serious running has been made by lan MacFarlane, one of the two existing deputy governors, although some suspect that the government will want to go outside the bank itself. But no white smoke signals have yet been spotted in Canberra. Then there is the question of

whether Andrew Peacock will become Australia's next ambassador to Washington Peacock fought John Howard, Australia's prime minister, for leadership of the Liberal party throughout much of the 1980s. But he finally bowed out of federal politics two years ago, and has since exuded graciousness over his former adversary's euccess. This diplomatic prowess is said to have earned him the job.

Finally, there is the identity of the person chosen to chair the inquiry into media ownership, perhaps the most delicate task in Australia, since it may determine who ends up controlling John Fairfax, the

in this case, according to Senator Richard Alston. communications minister, a choice has at least been made Just when the world might be told remains a mystery.

country's leading newspaper

Courting success? What does it say about the London restaurant scene when courts of law get pressed into service as exteries?

Jeremy Mogford, who has made a success of feeding out-of-towners for 23 years, has chosen this year to take the plunge in the capital, After a trial outlet in Chelsea and a smallish place in Mayfair, he is going for his third and biggest venture next month, a brasserie on the edge of Covent Garden, in what was until recently the home of Westminster county

The Browns chain - offering good, essentially British grub at a decent price - makes a point of eschewing the trendy. With "only" \$49 seats in the law courts, the new outlet cannot be considered at the cutting edge of

Nor is it "themed", even if Mogford hopes to create a frisson with the three faithfully restored courtrooms that will be hired out for private

A toplary enthusiast who is still learning about Londoners esting habits, Mogford will no doubt be hoping he has a receipe for success in a highly competitive market.

Striking gold

Many Olympic gold medal boxers turn professional after their successes at the Games. But Somluck Kensing, the first That ever to bring home the gold, is proving even more fortunate. In the best Thai tradition of ensuring fame and money go together, the self-described "poor country boy" is all of a sudden swimming in a sea of cash The Sports Authority of Thatland and the Olympic

Committee of Thailand are each pitching in Bt3m (\$120,000), plus a monthly stipend of Bt10,000 for the next 25 years. That Rath newspaper and the That Amateur Boxing Association are both forking out over Bt10m, while a music empany is giving him Bt5m in

the hope he will record a few songs for them.

Not to be outdone, prime

ninister Banharn Silps suchs. who makes just over Bt85,900 per mouth, has pledged "seven figures", and, with an unheard-of sense of urgency and unanimity, the Thai cabinet waived So nluck's tax bill. Just so he doesn't drown in his

new-found wealth, Somluck is expected to get two more awards: a promotion to ligutenant in the Thai navy and a PhD in physical education from a university in his home town of Khon Kaen.

Sin and click

reminded the flock.

So the Internet is not the solution to everything, after all. A Cologne-based outfit called the Lazarus Society has been marketing a handy little disc entitled Confession by Computer, Users can try to match up their porticular misdemeanour with a list of 200 possible sins - and the black box will think up a suitable form of penance. An Our Father, or a Hail Mary, may issue forth from the machine (if you have the equipment) and you may be pointed in the direction of a priest to contact in cyberspace. Germany'e Roman Catholic Church does not think much of the notion of Jesus going online. You cannot have sins forgiven by the push of a button," the German Conference of Bishops

Financial Times

50 years ago

Emports of Russian Platinum yesierday that Russian platinum is being imported into Britain and sold again to United States speculators. London dealers concerned are refactant to disclose the quantity involved or the price at which it was exported to America, but it is understood that only a limited amount has changed hands at up to \$30 an ounce. The producers' price in America is still quoted at \$67 to \$70 per fine ounce, which is about on a parity with the London quotation of £17 per troy

The Chinese Market Economic conditions in China present a disturbing picture. China, of course, was invaded and partially occupied by the enemy, for longer than any other belligerent. Since the war ended the Manchurian affair has been a serious setback, Full allowance must be made for all these handicaps. But until China has settled her internal differences and learned efficiently to govern herself. there can be no real economic recovery. Meanwhile, it is hard to see how Britsin can do more than she is doing now, by taking a peasive but sympathetic interest in Sympathetic inserest in China's efforts to achieve unity. The U.S. WIR no doubt grant a loan to China.

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18

## FINANCIAL TIMES

Monday August 12 1996



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## Former Sumitomo trader profited while others slept

ben Mr Yasuo Hamanaka, the for-mer head of copper trading at Sumitomo Corporation, left the office in the evening and retired to the red velvet sofas of the Griffin, a luxury hostess club in Tokyo's Ginza, the copper market stayed on his mind. He would check London and New York price movements on a pocket monitor and use his mobile phone to place orders, writes

Emiko Terazono from Tokyo. Mr Hamanaka, blamed by Sumitomo for losses of \$1.8bn, appeared yesterday for the first time since his dismissal in June, when copper prices fell almost 30 per cent in a few weeks. Dressed in blue trousers and a polo shirt, an apparently relaxed Mr Hamanaka met a Reuters journalist but would not comment on the copper case. "I am fina," was his most revealing statement.

Sumitomo still says "Mr Copper" acted alone, but bro-kers who handled trades for the company insist that he had board approval. Fellow traders said he routinely attempted to control the copper market to make profits for Sumitomo and that he wes devoted to his role as the company's chief trader.

He took that self-image with him into the clubs of Tokyo. The Griffin, launched at the height of Japan's financial excesses in 1989, was a favourite haunt. Aside from his orders of Scotch which cost around Y150,000 (\$1,400) a bottle, Mr Hamanaka's numerous phone calls aroused the curios- iting clients during the day



Yasuo Hamanaka, blamed by Sumitomo for losses of \$1.8bn, was said to be devoted to his role as the company's chief trader

gave contacts the impression

that Mr Hamanaka got little

sleep. Although he took cat-

naps during the day in taxts,

he bragged about his scant

sleeping hours.
"I don't need to book hotels

when I go on business trips

because I would go to a meet-

ing in London, jump on the

plane, and go to my next meet-ing in New York and spend

the night in a bar." be once

which handled many of Sumi-

tomo's trades on the London

Metal Exchange, recalled being entertained in Tokyo bars by

Mr Hamanaka. "He was proba-

bly like Margaret Thatcher. He

seemed to be able to get by

by his drinking and at some

sin sent back to the Russian

parliament a bill that would

have begun dismantling state control of the diamond sector. This will delay the signing of

Mr De Kilalea, analyst at

stockbrokers Fleming-Martin,

suggests the source of new "leaks" might be Almazy Ros-sil itself. "If this is so, then the

hole will, hopefully, be plugged

in the near future. Of more

concern are views that the

"leakage" is more widespread

and that Komdragmet, the

Russian government precious

metals and gem organisation.

has also been selling directly

to Antwerp. If this is true, it

would imply a breakdown of

the relationship between the CSO and Moscow."

De Beers said at the week

end that talks about a defini-

tive contract with Russia had

been delayed by the Russian

elections and would be con-

cluded "as soon as humanly

possible". It added that the

"leaks" were not as big as in

FT WEATHER GUIDE

any contract with De Beers.

Colleagues were concerned

without too much sleep.

ter Commodities,

ity of the Griffin's hostesses who sat beside him, pouring

the drinks.

Mr Hamanaka went out most nights to two or three bars, taking along brokers who courted him for his orders or a younger crowd of traders and brokers who feted him. Instead of having his bills sent to Sumitomo, he paid many of the bar bills in cash. His wallet bulged with cash and he complained that he was unable to fold it properly.

After his expeditions to host-ess bars, he would return to his office to do the paperwork on the trades done on his mobile phone. He liked to trade when volumes were thin - pre-market trading in London or immediately following the London market's close when the size of his orders would easily move prices.

His trading at night and vis-

watered-down whisky without eating. "This is all I need," Mr Hamanaka once told traders at lunch, pointing to his drink, leaving a plate of roast beef

Yet there was a nurturing side of Mr Hamanaka. He encouraged his two young colleagues in the copper division - known within Sumitomo as the "LME Operations" - to experiment with positions and trading techniques, and he gave them relatively large rders to handle.

Unlike senior managers at other Japanese trading houses, he would not roughly brush aside young brokers. "He always asked me if I was doing okay. Although he seemed dis-tracted at least he treated people like buman beings," said one broker.

Mr Hamanaka gave the impression that he was keen to assist the creation of new companies, including Global Metals and Minerals in the US and Winchester in the UK, which he often used for trades. While it was in his interest to cultivate small brokers to diversify r Ashley Levett, a his copper trades, be also founder of Winches seemed to like the idea of helping small independent compa-

> His reluctance to leave the copper market was obvious when Sumitomo suggested promoting him to a senior post in its Indonesian operations which would not have a direct role in trading. "They want to get rid of me and make me

## Oiling the wheels

THE LEX COLUMN

Imagine a buge, low-growth industry scrabbling to improve returns. Imagine, too, that in many parts of this industry there are powerful economies of scale. It sounds an investment banker's dream: rich pickings for break-ups and mergers.

Well, it exists and is called tha oil industry. Yet the western oil majors are still integrated baronies. They often sell assets and forge joint ventures, but mega-deals and break-ups are strikingly absent. Take break-ups first. Certainly

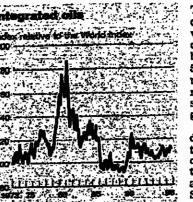
the old arguments for oil companies' "vertically-integrated" structures look tired. They get all out of the ground, refine it and either sell it as petrol or turn it into petrochemicals. These activities have little in common: digging for oil is a completely different skill from running petrol stations.

Of course, there is the classic con-glomerate defence – that a range of activities smoothes earnings. But on that besis, oil companies might as well run supermarkets. Simi-larly, the notion that producers need secure outlets for their product is filmsy. It once had merit, and still does in gas. But in oil, liquid markets now exist at each stage of the chain. No company can rely on selling at a higher price than a competitor using the spot market.

On the other hand, the case for break-ups is not, on its own, terribly compelling either. The main advantage would be greater focus, putting pressure on sleepy managers by depriving them of a wealthy parent. But against that must be weighed the loss of some synergies which do exist - for instance between refining and petrochemicals. And it is not as if big gains for shareholders are likely; none of the big companies is trading at much of discount to break-up value.

Mergers, or at any rate more modest forms of "horizontal integra-tion", look more promising. This is not a matter of chasing size; the real driver would be cost-cutting, and this is already blting. The mutual carve-up of Mobil and Brit-ish Petroleum's European downstream businesses, for instance, is due to produce a thumping \$400m-500m a year in cost savings.

So why not take this logic further, with a full mega-merger? Such a deal-could stack up, as some think it might for Mobil and BP. Of course, mergers might not cut costs much "upstream" - in exploration and production - where the logic would be more about creating a better apread of assets. And there



could be real snags. One is that some conceivabla mergers would hit problems with competition authorities. Another is that several parts of an integrated company's business might suit quite different partners. Nonetheless, given the weakness of the case for vertical integration, a perfectly viable solution exists in a situation like this: break a company up into several different bits and merge each with different partners.

For businesses willing to pusb such logic ahead aggressively, espe-cially downstream and in chemicals, there are great prizes to be won. Doubtless, it will be a wrench, when it involves pulling out of busies currently seen as core. But where horizontal integration conflicts with the now limp vertically integrated logic on which the companies were built, there is little doubt which has the more potential. The winners will be those most prepared to jettison the past.

#### **BAT Industries**

The \$750,000 judgment against BAT Industries in the Grady Carter case will knock a significantly larger sum off its stock market value today, and rightly so. The tobacco industry aets enormous weight by the fact that it has only once been defeated in a US law suit. and that was overturned on appeal. The latest adverse court judgment will also be appealed, and with a reasonable chance of success, but it will create years of uncertainty. And if it loses, BAT could be buried under a mountain of similar cases.

This should tip the balance in favour of BAT demerging its financial services business. This division accounts for 40 per cent of group profits, but these are also tarred with the tobacco litigation discount.

The financial sarvices business could comfortably attract a £9bn valuation, excluding debt. At Friday's closing price, the tobacco business would then be trading at a 50 per cent discount to the stock markat's average price-earnings ratio. Even with its legal risks, this seems excessive for a highly cashgenerative growth business.

RJR Nabisco bas considered demerging its food operations for the same reasons, but it faces legal opposition from litigants claiming this would amount to "false conveyance" of its wherewithal to pay up. Since BAT's insurance businesses are already ring-fenced, it ahould face no such barrier. BAT recently created a separate holding company for financial services. Management should now consider the logical

When is a rights iesue not a rights issue? The answer is, when i is an Inspec rights issue, and it miraculously becomes an option scheme as well. One would think that the processes of raising capital to fund acquisitions, and rewarding directors and employees for their performance, were totally distinct. But at Inspec they have become one and the eame. Of its recently announced £101.5m rights issue. about 15 per cent of the entitle-ments are being taken up on behalf of employees; but payment is actually made by the company itself. The company only gets its cash back from the staff if performance targets are met and the share price makes It attractive. Otherwise, the company has to bope that it can pay off the loan for this scheme by selling the shares Itself.

The rationale for this scheme i to encourage employee share ownership. This is an honourable aim, although in Inspec'e case, it is diluted by the fact that directors account for the vast majority of staff shareholdings. But there are plenty of more efficient means to encourage employee participation; and staff who cannot afford to take up their rights can always sell them. As it is, Inspec'a scheme creates two separate classes of share-holders; risk-free staff investors, and the outside investor who has to foot the bill if the shares fail to perform. Cynics might even interpret the scheme as a means of using financial engineering to enforce management's control - hardly in keeping with its lofty aims.

## Diamond 'leaks' threaten De Beers deal with Russia

By Kenneth Gooding in London

The relationship between Russia and the diamond cartel organised by De Beers of South Africa is being jeopardised again by a hig jump in the value of rough or uncut diamonds "leaking" to the market from Russia and bypassing De Beers's Central Selling Organi-

The value of rough diamonds "leaking" out in this way is estimated by Diamond International, published by the CRU International consultancy, to have jumped from between \$10m and \$15m in March and April to \$40m-\$60m

Mr Julian Ogilvie Thompson. De Beers's chairman, is certain to be closely questioned about the group's dealings with Russia when he meets analysts tomorrow to present the De Beers half-year results. Analysts expect bumper profits and are forecasting a 25-30 per cent rise from the attributable earnings of \$398m

reported for the first half of 1995, plus a healthy dividend

Before the rise in unofficial Russian exports, the diamond market was fast regaining confidence. De Beers reported that its diamond sales had risen by 8.2 per cept in the first half to a record \$2.748bn. In July, it announced a price increase averaging 3 per cent but much greater for larger rough diamonds.

Now there is increasing concern that De Beers and the Russians might not after all be able to agree a new contract. They signed a "memorandum of general principles" in February and said this would be expanded as soon es possible into a formal three-year con-tract with Almazy Rossii-Sakha, Russia's biggest dia-

mond producer. Some analysts suggest .Russia might have had a change of mind, influenced partly by the decision of Argyle, the Australian producer, to quit the cartel in June. They also point out that, in his first post-elec-

### **Turkey set** to sign Iran gas accord

Continued from Page I

historically poor relations with Syria "should be solved as soon as possible". Syria disputes Turkay's rights to the waters of the Tigres and Enphrates while Ankara accuses it of support-

ing the PKK. Turkey sent two senior cabinet ministers and a group of Turkish businessmen to Baghdad over the weekend to seek export deals with Iraq. Tha UN has partially lifted sanctions on Iraq, allowing it to sell \$2bu-worth of oil every six months to buy food, medicine

and humanitarian supplies. Before the outbreak of the 1991 Gulf war, Iraq was one of Turkey's principal trade part-ners. Turkey has been press-ing Washington and the UN to relax the embargo on Iraq to enable its exporters to resume the lucrative trade with Iraq.

Mr Erbakan said that if approved, Iraq would export 200,000 barrels a day to Turkey - half the country's

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## **Europe today**

Unstable air masses will bring showers and local thunder over most of northern France and the will be more sunshine with moderate temperatures. Thunderstorms will develop over the

Alps as cooler air moves eastwards. Northern italy will have also have thunderstorms. Highest temperatures are expected over Spain and Turkey. A high pressure area will bring fair

conditions with plenty of sunshine to most of Scandinavia, but cloud and rain will move into Denmark from the

#### Five-day forecast Unstable and rather cool conditions

with showers and rain will move from north-western Europe Into Germany, Poland and the Baltic States. A slight rise in temperatures is expected in the middle of the week over northern France and the Benelux. The British Isles will



